

JPRS-CEA-86-024

12 March 1986

China Report

ECONOMIC AFFAIRS

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12 March 1986

CHINA REPORT
ECONOMIC AFFAIRS

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

ECONOMIC MANAGEMENT

Tianjin's Ni Zhifu on Industrial Development (Ni Zhifu; TIANJIN RIBAO, 24 Jan 86)	1
PRC Journal on Strengthening Macroeconomic Management (Wang Dacheng, Wu Hongguang; JINGJI GUANLI, 5 Dec 85)	19
PRC Journal on Role of Enterprise Party Committee (Sun Fakui, Zhao Yuhui; JINGJI GUANLI, 5 Dec 85)	26
PRC Journal on Enterprise Leadership Systems (Jiang Yiwei, et al.; JINGJI GUANLI, 5 Dec 85)	37

FINANCE AND BANKING

Bank of China President on Expanding Bank's Role (WEN WEI PO, 5 Feb 86)	53
Shanghai Bank To Issue Cashier's Checks (XINHUA, 15 Feb 86)	55
Course of Pricing Since Founding of PRC Reviewed (Lu Fengxia; JINGJI RIBAO, 30 Aug 85)	56

MINERAL RESOURCES

Foreign Funds Used To Develop Guangxi Aluminium Mine (ZHONGGUO XINWEN SHE, 31 Jan 86)	59
--	----

INDUSTRY

Report on Projects To Boost Tourism in Cities (XINHUA, 15 Feb 86)	60
--	----

Building Materials Output Rises 150 Percent (CHINA DAILY, 15 Feb 86)	62
Faulty Bolts Halt Work on Second Stage of Baoshan Steel Plant (Yan Hsin-pao; WEN WEI PO, 18 Feb 86)	63
Liaoning Maps Out Goal for Metallurgical Industry (Liaoning Provincial Service, 18 Feb 86)	64
Building Material Industry Makes Great Headway (Beijing Domestic Service, 15 Feb 86)	65
Briefs	
Guizhou Civilian Products	66
Qinghai Reports Industrial Progress, Problems	66
Liaoning Steel Output	66
CONSTRUCTION	
18 Berths Planned for Shanghai Port by 1990 (XINHUA, 18 Feb 86)	67
Briefs	
Zhejiang Housing Construction	68
LABOR AND WAGES	
Briefs	
Zhejiang Unemployment Solution	69
HONG KONG	
Hong Kong Stock Market Has Strong Showing in 1985 (XINHUA, 20 Feb 86)	70
Other PRC Subsidiaries Contemplate Deposit Certificate Issues (Cecilia Ko; SOUTH CHINA MORNING POST, 20 Feb 86)	71

ECONOMIC MANAGEMENT

TIANJIN'S NI ZHIFU ON INDUSTRIAL DEVELOPMENT

SK060310 Tianjin TIANJIN RIBAO in Chinese 24 Jan 86 pp 1, 2

[Speech by Ni Zhifu, member of the Political Bureau of the CPC Central Committee and secretary of the Tianjin Municipal CPC Committee, at 22 January municipal meeting to sum up investigations and studies of three basic industrial links: "Strengthen Basic Links and Develop Tianjin's Industry"]

[Text] Comrades:

This meeting to sum up our investigations and studies has proceeded well in the last few days. In May last year the municipal CPC Committee and government organized the departments concerned to conduct fairly large-scale investigations and studies of the three important basic technologies, basic materials, and basic component parts ("three basics" for short). Of these, basic technologies include basic designing principles, basic methods, and training of talented people. Comrades Bichu and Jingheng have already given their opinions on the situation of the investigations and ways to further strengthen the "three basics" work. I agree with their opinions and will not speak more on this. Although our investigations were confined to the machinery and electronic industries, the results merit the attention of the masses of comrades on the economic front, and in some cases, may be used by various trades for reference. In the future we should continue the industrial survey as planned by the State Economic Commission in order to clarify the basic situations in the various links of the entire industry in a more comprehensive and thorough manner. During this "three basics" investigations, comrades strongly felt that not only the "three basics" of the machinery and electronic industries but also the basic links of the entire industry need to be strengthened. They also deeply understood that the focus of the industrial and economic work during the entire "Seventh 5-Year" Plan period should be placed on laying a solid foundation--a good material, technology, and management foundation for the leap in the 1990's. In particular, they felt that as Tianjin's industry is situated in an important period of development, immediate challenges and future development urgently press us to attach importance to and study the strategies and countermeasures for the development. This showed that positive ideological achievements have been scored in our "three basics" investigations, and that we have enhanced our understanding of the development of Tianjin as an old industrial base. Today I would like to take this opportunity to speak on the development of the basic links of industrial development on the basis of the situation in the "three basics" investigations.

It Is Necessary to Strengthen Development of Basic Links in Order to Revitalize Tianjin's Industry

At the beginning of the 1980's, Comrade Xiaoping said: "The 1980's is a very important, decisive period for our construction. A good foundation laid during the 10 years plus the efforts in the next 10 years will make our realization of Chinese-style modernization in 20 years realistic and truly promising." Comrade Xiaoping regards the 1980's as a period for laying a foundation for the entire modernization cause. In his report to the 12th National Party Congress, Comrade Yaobang pointed out: "In order to accomplish the fighting goal in 20 years, we should take two steps in terms of strategic arrangements: We should lay a solid foundation, accumulate strength and create favorable conditions in the first 10 years, and should enter a new period of economic revitalization in the latter 10 years." At the recent National Conference of Party Delegates, Comrade Ziyang pointed out the need to basically lay a foundation for the new economic structure during the "Seventh 5-Year" Plan period, and to intensify key construction projects, technical transformation and development of intellectual resources so as to prepare necessary reserve material and technological strength for the continued economic and social development in the 1980's. I think our strategic goal of economic work for the "Seventh 5-Year" Plan period can be summarized as "laying a solid foundation." Laying a foundation includes many areas. Judging from the development of the entire national economy, agriculture is the foundation. Judging from the strategic priority of quadrupling the industrial and agricultural output value, agriculture, energy and communication, education, and science are the basic links restricting the development of the entire national economy. In view of the situation in bringing the relations between the various economic sectors into a better balance, we should vitalize enterprises, form a commodity market system, and improve the means of macroeconomic control. If we do a good job in reforming these sectors, we can lay a basic foundation for establishing a socialist economic system with Chinese characteristics, vigor, and vitality. These represent very important spadework. Our various departments should pay great attention to this work, and in the course of formulating and implementing the "Seventh 5-Year" Plan, should exert untiring efforts to achieve the goal of "laying a good foundation" for achieving a greater economic development in Tianjin in line with its actual situation. The building of industrial basic links is closely related to the work of "laying a good foundation." Therefore, we may also say that today's meeting on summing up and studying ways to strengthen the building of the industrial basic links is also one of the components of the work of laying a foundation.

We should note that through more than 30 years of development since the founding of China, Tianjin's industry already has a fairly good foundation. Since the 3d Plenary Session of the 11th CPC Central Committee in particular, Tianjin's industry has embarked on a road of development in a sustained, steady, and coordinated manner, creating better conditions for future development in various fields. Through readjustment, 18 key light and textile industries and 5 supporting industries have rapidly developed. The imbalances in the ratio between the light and heavy industrial production sectors have improved and fruitful and explorations have been made in the development of technological cooperation and in the production of component parts among

specialized departments. Through reform, we have expanded the decision-making power of enterprises, changed some production relations which have affected the development of productive forces, and mobilized the enthusiasm of enterprises and the staff members and workers. And through comprehensively consolidating groups of key enterprises in various stages, the management of enterprises have been strengthened and industrial production has begun to shift to the path focusing on raising economic results. We have used foreign funds to import technology and to carry out technical transformation among outdated enterprises, thus promoting technical progress and equipment replacement in industrial enterprises, and forming a group of new production capacities. As an important industrial base in north China, Tianjin has achieved major development in the scope and level of its industrial sector.

However, we should also note that our municipality's industrial development has encountered a new situation and a new challenge. The rise of the new world technological revolution has greatly affected the production, energy, and consumption structures, and the various aspects social livelihood. The adoption of new production means has greatly changed the outlook of industrial production. Tianjin is one of the coastal open cities and is playing a pivotal role in linking China with foreign countries. Tianjin's industry should make better use of domestic and foreign markets, domestic and foreign funds, and domestic and foreign resources, gradually change from a state of mainly gearing to domestic needs to a state of satisfying both the domestic and foreign market demands with an emphasis on foreign markets, and become competitive in the international markets. The great industrial development in the central and western parts of China has called on the industrial base of Tianjin from mainly providing manufactured goods of general quality or general metallurgical and chemical materials and machinery and electronic equipment in the future, to providing more technology-intensive products, high-and medium-grade products, basic materials with high properties, and high-level technology and equipment, especially complete sets of equipment. Some coastal and inland industrial cities have developed rapidly and some developing industrial cities are taking shape. Some favorable conditions of Tianjin's industry are losing ground in the acute market competition.

In facing the challenge, various sectors of municipal industry cannot meet the needs of the current situation. Major manifestations of the various sectors are backward products, the slow progress in upgrading and updating, and the low rate of setting up production lines. As for the life cycle of 3,289 major products turned out by light industry, textile industry, electronic industry, and building material industry, those that remain in the developmental stage only account for 6.4 percent of the total number; those that are in the growing stage, 22.1 percent; those that are in the prime of life, 62.3 percent; and those that are in the recession period, 9.2 percent. This means that 70 percent of products urgently need to be upgraded or updated. The backward products that are weak in the international market competition constitute an important reason for the decline of foreign trade and exports over the past few years. Meanwhile, most exported commodities are primary and rough products and few of exported commodities are staple first products that can be accepted by international markets. In particular, few of them are machinery and electric products. A trend of supplying fewer products of Tianjin to the

domestic markets across the country has also taken shape because of the slow progress in upgrading and updating. Since 1978, of 44 major products turned out by the municipality, the output of 21 products has become lower than the top level output in the country and that of some famous trademark products has been surpassed by outside places.

Such a situation has indeed made some comrades feel a "sense" of danger. However, the key to dealing with the situation lies in adopting measures and policies to cope with the problems. He contended that only by attaching great importance to the challenge, adopting correct measures, and making full use of the favorable conditions of the municipality will be able to have Tianjin take the lead in the program of building modernization. Then, what are our correct measures? The answer given by some comrades to this question is that efforts should be made to concentrate on enhancing basic links, which should be regarded as an important measure to suit the remedy to the problems.

Some comrades are afraid that grasping the construction of industrial basic links might not be of great help like "distant water not being able to quench present thirst." He contended that efforts should be made to correctly deal with the relationship between "distant water" and "near water" and that "near water" is handy but "distant water" is of long standing and well established. The best way at present is to grasp "near water" on the one hand, and "distant water" on the other hand, and to adequately make use of the "near water" and to develop the "distant water" on a long-term basis. Therefore, the idea that the way of "quenching present thirst" is set against that of "developing distant water" is unreasonable. In order to create conditions for an economic leap forward, to maintain a balance among markets, to accumulate funds, and to improve the people's livelihood in the upcoming few years, we will fulfill our target by grasping the current rate of increase and economic results. However, by no means should we pay attention only to immediate interest and turn our blind eye to the far-reaching target. Efforts should be made to make progress first and then to sum up the experience gained in the former period, and certain efforts should also be exerted to make preparations well for achieving faster development. If we blindly seek unrealistic high speed and expand our reproduction relying on the backward basis of low technical level and out-dated equipment, and we will not be able to upgrade and update the out-dated technology and equipment, to change the backward technology of social production, and to create reserve forces for developing industries and the economy as a whole although we can make progress in output and output value. Therefore, we should realistically exert our efforts to successfully grasp the construction of industrial basic links by taking the excellent opportunity of stable and harmonious development in the economy during the implementation period of the Seventh 5-Year Plan, in order to create necessary conditions for making industries prosperous in the future. This should be regarded as an important policy for developing industries throughout Tianjin Municipality.

In Developing Industry, It Is Necessary To Properly Handle the Relationship Between the Basic and Other Links

After the current investigation, many comrades have had a better understanding of the basic way for developing the municipal industry. That is to grasp the basic links, "fist products," joint research, highly sophisticated products,

readjustment, complete sets of equipment, management, and product quality, and to embark on the road of carrying out technological transformation, mastering advanced technologies, blazing new trials, developing specialized cooperations, tapping potentials, and increasing efficiency. Viewing the work in strengthening the materials, technological, and management foundations of industry, we can find that many links need to be grasped, and lots of relationships need to be handled correctly. Now I want to emphatically speak on the relationship between the basic and other links, and discuss it with all of you.

1. To raise the level of the finished products, we must proceed from raising the level of the basic links.

It should be noted that we must depend on the "solidness" of the basic links to pass the "acceptance test" for the updating and upgrading of products. Now many enterprises and trades have attached importance to raising the level of products, have put lots of funds in this respect, have adopted many measures for this work, and have yielded many results. Under most circumstances, however, it is the backwardness in the basic links that creates difficulties for updating and upgrading the products and for raising the level of products. The major reason why our vehicles, tractors, and engineering machines have often suffered from the oil leakages is that our hydrolic pressure and sealed articles have failed to reach the standards. An important reason why we cannot manufacture some products by ourselves and must import them from abroad is that our basic links are not solid enough. For instance, early in 1952 our municipality successfully developed the first small car of our country. But owing to the backward basic links, we were unable to form a great production capacity for this car, even though we developed the prototype. And none of the various vehicles manufactured afterwards have prevailed in our country. A few years ago production of the double-line seat model alone enabled our double-line seat cars to develop quickly. This shows that without good basic links, an industry or a trade cannot actually develop. Many people have reflected that many products originally produced by Tianjin have yielded results in places other than Tianjin. Why? An important reason is that our industrial technological equipment is backward, our technologies and methods are not good enough, and the function of our basic materials and basic elements is poor. In a word, our basic links are backward. Although our designing capacity is not bad in many fields, we have no ability to rapidly apply research findings to practical production.

It should also be noted that the improvement in the levels of the industrial basic links and the finished products are interdependent, and promote and supplement each other. The finished products constitute the final results of the industrial production as well as the comprehensive expression of the raw materials, designing, technologies, methods, equipment, and surveying means. Aiming at updating and upgrading the finished products, we can organically link the technological development, import, transformation, and management with the semifinished and raw materials, spare and component parts, supplementary materials, and technological cooperations. By stressing on raising the level of the basic links, we precisely aim at raising the level of the finished products, rather than putting the former against the latter or separating the former from the latter.

The present major problem is that some comrades have not attached sufficient importance to the strengthening of basic links. If we give attention to finished products alone to the neglect of the work of basic links, we will fail to improve our finished products. Combining finished products with basic links and improving all the relevant factors which influence the quality of finished products, we will be able to markedly improve the level of industrial production as a whole. People have summarized the "three basics" investigations of the machinery and electronic industries as promoting the major link to guide the "three basics" and grasping the "three basics" to promote the major link. Based on the requirement for upgrading the level of the major link, we should clearly decide the areas of the basic links where breakthroughs are to be made, give guidance to and make proper arrangements for the development of the basic links, and improve the level of basic links as soon as possible. Achieving breakthroughs first in some areas of the basic links will also upgrade the level of the major link. As has been shown in many cases, it is as often as not the successful production of new accessories and component parts that spurs the production of new products, but it is the development of basic technologies and new designing principles and methods that leads to the emergence of a series of new products.

To combine the production of finished products with the work of basic links, we should also properly handle the relationship between partial, direct economic benefit and social benefit, and between immediate interests and long-term interests. Some basic links may yield rather low direct economic benefit to certain projects, but they can create very great economic benefit to society; others may not have very high immediate benefit, but they can help improve economic results on a long-term basis. Therefore, we must never neglect them. Take the radial drill produced by the No 4 machine tool plant. The durability of the pilot [dao zhu 1418 2691] failed to reach standards in the past, and therefore the precision was directly affected. After heat treatment, precision and durability have greatly improved, and the product won a silver medal. At present a crucial reason for the many substandard machinery products lies in the quality of iron casting. Our castings are large and thick with poor durability and precision. In order to win a name of high properties for our cast iron, we have to raise the temperature of molten iron to more than 1,500 degrees. An important measure for achieving this is to use quality casting coke. Therefore, we should be determined to solve the problems in casting coke supply. It is worthwhile to spend a little more money in this link, because it helps make casting light and handy in design and structure, and make the machine more durable. This is really worthwhile, and this means to improve social economic benefit.

2. It Is Necessary to Place Strengthening of Basic Links in an Important Position When Carrying out Technical Transformation.

During the "Seventh 5-Year" Plan period we should not rely chiefly on building new plants to develop industrial production, but should, to a greater extent, rely on the technical transformation, reconstruction and expansion of old enterprises. In technically transforming enterprises, we should adopt new technologies, new methods, and new equipment, and achieve the major purpose of technological progress. During the "three basics" investigations, we discovered a longstanding problem in transforming old enterprises. That is, some

units paid more attention to the reconstruction and expansion of workshops and failed to exert sufficient efforts to renew and transform basic technologies and other basic links. According to the analysis of some comrades, capital construction actually amounted to probably 30 percent of our technical transformation projects. Many machinery plants used a great amount of outdated general machine tools with backward properties, and some textile mills still use the outmoded spinning machines of the era of Japan's Meiji Reformation even until today. After technical transformation, some units have new workshops but old technologies, and new equipment but of old models. Their technologies show little improvement, and they are still "duplicating antiques." Accelerating the rate of updating machinery equipment and speeding up the application and popularization of advanced science and technology are the important counter-measures for an economically backward country to catch up with or surpass the advanced countries. In the 1950's, Japan put forward method to invigorate its machinery and electronics industries, adopted effective supportive measures for developing the basic links, particularly for updating equipment and the production of basic component parts, and scored very fruitful achievements. It succeeded in rapidly realizing industrial modernization. Our industrial equipment and technology are in a backward state in today's world. Therefore, we should exert greater efforts to create conditions for speeding up the updating and upgrading of equipment and technology and pay attention to concentrating more funds and strength on updating equipment and technology in the course of carrying out technical transformation. The machinery and electronic industrial sectors are shouldering the mission of equipping the various economic departments. They must conduct technical transformation ahead of others and exert special efforts to make some key machinery and electronic enterprises greatly improve their technical level within a short time.

In the technical transformation of enterprises, we should focus our direction mainly on improving the quality and properties of products, increasing the varieties of products, and reducing consumption. The poor quality of products and the high consumption of materials are two weak points in our municipal industrial production. The existence of these weak points is closely related with the weak and backward industrial basic links. In the production of traditional products, many industries still use the outdated product designs and the component parts with low and poor properties. Many of them are still [word indistinct] backward techniques and technology, thus resulting in a great consumption of energy and raw materials, a high reject rate, low efficiency, poor comprehensive utilization rate, and serious environmental pollution. The casting, forging, and semifinished products are large and clumsy, and the structural designs are poor and roughly made. Manual operations account for a great proportion in the course of production. Most of light industry, particularly food processing and packing, are done by hand. In the course of technical transformation, we should pay full attention to transforming the industrial basic links, and exert efforts to change the primitive backward situation in which the material quotas are roughly estimated, the quality of products varies according to the craftsmanship, and the output quotas are calculated by ton.

At present, we are short of funds for technical transformation. We should use the limited amount of funds in places where they are most needed. In the course of investigations, we can see that there are many specific reasons for our

failure in putting some technical transformation projects, such as some production lines or special equipment, into production or test run for a long time; but the most important one is that our technologies are not well coordinated; our working procedures are disintegrated; the domestically-made equipment are poor in quality; and the electric and liquid-pressure component parts of the production lines are out of order. Therefore, we should pay attention to the overall plans and to the supporting of technical equipment and technology of the technical transformation projects. In the future in carrying out important technical transformation projects, we should strive to let the specialized and design departments play a greater part. All trades in the industrial sectors, particularly the machinery and electronic industries should gradually readjust in a planned manner some factories which are undertaking the design and manufacturing tasks of some specialized equipment and production lines. We should support them in establishing lateral cooperation with the scientific research and design departments, strengthen our municipality's technical transformation strength, and urge some research units to contract for technical transformation tasks, in an effort to speed up the process of technical transformation.

2. It is Necessary to Absorb Foreign Advanced Technology and Tackle the Key Problems in the Basic Links

From 1983 to the first half of 1985, after our power to use foreign exchange had been expanded to sign 540 contracts, our municipality used the foreign exchange we were entitled to use and made transactions worth more than \$500 million and invested a total of 2.7 billion yuan in some projects. It is expected that these projects will produce 800 new products that are up to international standards. Upon the completion of all these projects, they will bring an additional 3.7 billion yuan of output value and an additional 1.5 billion yuan of taxes and profits. Practices have shown that the major policy-decision of implementing the open policy, utilizing foreign funds and importing advanced technology to speed up our country's progress in economic modernization is absolutely correct. Reviewing our experiences in the work of importing funds and technology, at least, we can find two points worthy of our attention.

We should, first of all, regard the import, mastery, and application of key items regarding the basic links as an important element of the imports as a whole. Many facts show that good results cannot be achieved by only importing combined assembly lines regardless of the subsidiary component parts; and by only importing the whole set of machines or the software technologies of the enterprises for key spare and component parts. Some projects whose spare parts must be imported continuously have become a bottomless pit in the use of foreign exchange. Due to substandard spare parts and components, some imported items have become bottlenecks hindering the production of a product as a whole. Over the past few years many enterprises in our municipality have imported a number of new technologies and equipment, and some enterprises have yielded good results from the imported items. For instance, we can note the marked achievement in the domestication of color television sets. Thus far, about 70 to 80 percent of the component parts of color television sets can be produced locally. This mainly results from the great attention paid to the import of the production technologies for key and basic component parts and the organ-

ization of the joint research projects for the domestication of color television sets. Plants and companies specializing in the production of pneumatic component parts, hydraulic pressure items, sealed items, valves, and standard items have also achieved good results in their import projects. In general, these projects require fewer investments, eat profits quickly, and produce quality products. Some of them have already manifested a good social and economic efficiency, and have played a great role in serving Tianjin and the country as a whole and in forming a complete set of the main machines. This is a very good experience. In terms of developing the numerical control technologies, if we proceed from developing microcomputers, servo-electrical machinery, numerical indicator equipment, surveying equipment, and other key spare parts and components, we will greatly accelerate the growth rate. At the same time, in applying advanced foreign technologies, we should pay sufficient attention to those key and special basic materials. We should attach importance to and be adept in not only importing technologies and equipment but also mastering, applying and further developing the imported technologies and equipment. It should be noted that the purpose of imports lies in mastery, application, and further development. The limited foreign exchange funds have prevented us from using a large amount of foreign exchange to import the finished products, raw materials, and spare parts and components from abroad. Even if we had sufficient foreign exchange funds, we cannot import a modernization drive if we refuse to enhance our ability to master and apply advanced foreign technologies. Some oil-rich Middle East countries have spent huge sums of funds on purchasing equipment from abroad, but they cannot purchase a modernized country from abroad. This is because what they bought from abroad could not become their own technological wealth. Only by combining the mastery of advanced foreign technologies with the strengthening of the initiative in conducting studies, and only by using for reference those imported advanced technologies, key installations, and production lines to conduct self-renovation and self-development will it be possible to develop even better products, and even more and better production lines and installations better suitable for the condition of our country. Otherwise, we must import equipment and technologies one after the other and year after year, and will certainly lag behind other countries forever. It should also be noted that in mastering, applying, and further developing the basic links. Proceeding from the basic links, we should learn to study, apply, renovate, and further develop foreign technologies. To be specific, we should first master the imported advanced technologies and methods, and learn to operate and use them. Second, we should master the product designing methods and the theories of new technologies, master the technological process of products and the designing and manufacturing of technological installations, and pay attention to the domestication of spare parts, components, and raw and semi-finished materials. We should also preserve the advantages and discard the disadvantages in order to create installations which are better suitable for the condition of our country. We should change the imports of such hard equipment as whole sets of machines and productive lines into imports of such software as technologies and key equipment, and finally achieve domesticization, arming ourselves by ourselves. When we master and apply the advanced foreign equipment and technologies, we must not be intimidated by the huge and complicated appearance of some machines. As a matter of fact, through conscientious analysis, we can see that those seemingly huge, delicate, and complicated things are in large composed of general parts, and that key parts account for

only a very small proportion. As long as we organize forces to tackle technical difficulties, we can also make breakthroughs in these key links. I have seen the automatic production lines of the Dazhong Pharmaceutical Plant. It seemed to me that the key lay in technological process and principles, in various pneumatic parts and component parts (pumps, valves and cylinders), and in electronic controlled systems. The machinery structure of its various equipment is not very complicated. The plant did nothing but using stainless steel and materials for special demands. Similar characteristics can also be found in many imported machines for food processing and light industrial and textile production. Therefore, as long as we make breakthroughs in some key links, and import a small quantity of component parts or materials when necessary, mastery of these equipment and technologies will not be a task too difficult to fulfill.

In mastering, applying, and further developing new technologies, leading persons should first attach importance to it, second organize technical forces to carry it out, and third formulate corresponding encouraging policies. They should make good use of the forces from all quarters of society, and successfully organize them for the cooperation of scientific research, designing, and production units and schools of higher learning in order to enhance the ability of enterprises for mastering and developing technologies. As far as I know, many projects have yet to be mastered and applied, and leading persons of some units refuse not only to attend to this work themselves but also to let others master and apply technologies, resulting in many technical personnel losing contacts with advanced technologies. At present it is particularly necessary to adopt various measures to organize relevant personnel to tackle technical difficulties jointly under the guidance of policies. The economic, scientific, and technological commissions, and other pertinent departments should successfully carry out the mastery, application and further development of a group of selected advanced products, key technologies and equipment, and production lines in a planned manner. Some of these production lines and equipment should be used as a means for expanding production, and others should be regarded as our "fist" products and provided in whole sets to the country.

4. It Is Necessary to Take the Road of Specialization, Cooperation, and Association in Strengthening the Basic Links.

Readjustment of the economic structure, the production setup, and the product mix to make them more balanced is an important basic task for the "Seventh 5-Year" Plan period. In developing Tianjin's industry, we should proceed from the needs in the economic development pattern of the country and the actual conditions of Tianjin, place emphasis on certain fields while making an overall development, and see to it that all our favorable conditions and advantages are made use of to the fullest possible extent. Based on this principle, we should adopt some and give up others, and refrain from seeking simultaneous development of all fields, trying to do everything by ourselves. We should select a group of products and trades, which conform to the overall demands of the plan, are superior to others and promising, and yield high economic results to society, should technically transform and develop them on a priority basis, should enable them to become our "fists" through which to expand lateral cooperation, and should make good arrangements for the coordinated production of Tianjin and other places throughout the country. We should both give full play to the advantages of Tianjin's enterprises as a whole and adhere to the principle of cooperation among the best.

During the implementation period of the Sixth 5-Year Plan, we have done a great deal of work in this regard and scored results in "production readjustment." We should continuously do a good job in grasping readjustment and be determined to eliminate a large number of products that are low in social benefit and economic returns and have no development future in order to enable the saved funds, raw materials, and energy resources to be concentrated on ensuring the production of fist products. The readjusted enterprises should actively develop products in short supply, accessory products, export products, and new-style consumer goods. Some enterprises should early make up their minds to turn their products into those whose production procedures can save water and energy and require intensive technology.

In readjusting enterprises, efforts should be made to uphold the principle of setting up reasonable economic cooperation and specialized technical coordination in order to gradually achieve specialization, cooperation, and association in industrial production through the work of readjustment, reorganization, and combination. In line with the work experiences gained in Beijing, Tianjin, and Shanghai Municipalities, it is generally realized that Beijing has many large enterprises, Shanghai has many specialized enterprises, and Tianjin has many "small" enterprises that, however, take up all production. We are low in specialized technology, and particularly low in basic technology among the industries and trades. The average standard of specialized technology among the five industries of casting, forging, heat treatment, electroplating, and molding is less than 10 percent, but some countries with developed economies generally have reach from 80 to more than 90 percent in this regard. The equipment capability of basic technical workshops among the municipal large plants of casting, forging, heat treatment, and molding is fairly large, but most of them are left unused. As a result, the production of both large and small plants cannot reach the batch process because of the low standard of specialized technology and no concentration on technical forces. Judging from the situation inside the enterprises, we have found low quality of products, a high rejection rate, much waste, and high costs; and judging from the situation in society, we have also found that the repeated phenomenon of blind and low-level production has taken shape after leaving a large volume of production capability unused on the one hand and also continuously establishing a large number of new plants and production units on the other. We should conduct readjustment and reorganization in order to enable the basic technical workshops of these large plants to render service not only for their own plant, but also for the front and the municipality as a whole. Efforts should be made to close the small plants, to stop the production of them, to merge their production with others, to transfer their production to other kinds, and to integrate their production with that of others. Only by conducting specialized readjustment, reorganization, and association; concentrating the necessary manpower, financial resources, and material sources on accelerating the pace of conducting technical renovations; establishing some central plants with a high capability for energy conservation, economic returns, and pollution prevention, and a large number of study and examination centers concentrated with talented personnel and equipment; and by regarding these centers as backbone units in setting up the network of specialized technical coordination can we bring about a marked change in the outlook of the basic industries and trades. Through several-years efforts in this way, we should turn the large number of

existing and scattered enterprises of various industries and trades, which are "small" but have taken up all production into the specialized plants with close technical coordinations and should organize these enterprises into a new industrial complex and an enterprise group, as well as into a comprehensive superiority and a tremendous new production force.

In conducting specialized technical coordination, attention should be paid to adopting different measures and methods in line with the different situations in order to develop the economy in reasonable way. We do not mean that it is certainly better for us to divide the large plants into small ones without conditions, and also that the more we have achieved in the divisions of production and specialized technology, the more we have succeeded in our work. The relevant factors of restricting the process of reproduction are many. Therefore, we should undertake overall consideration and deal with them properly. How can we regard the economy that has developed in a reasonable way? In giving an answer to the question, we contend that, first, efforts should be made to markedly upgrade the quality of products; second, the batch process should be pushed forward and the cost should be lowered; third, commodity supply should be in a timely manner and service should be attentive and satisfactory. If we follow the principles mentioned in the answer above, we will certainly be more and more able to widen the road of conducting enterprise specialization, cooperation, and association.

5. It Is Necessary to Achieve Breakthroughs in Basic Links When Developing New Industries.

The development of new industries depends on the development of new materials, technical methods and technologies. Some comrades fail to see the unity of relations between the opposites of the basics, and the precision and the advanced. It seems to them that strengthening the basics means to neglect the precision and the advanced. This is a misunderstanding. In my opinion, if we are to truly stimulate and push the development of new industries, we should conscientiously put more efforts in renewing and renovating the basic links. We should note that the budding and development of all new industries result from the brand-new breakthroughs achieved in the basic links. This can be noticed in the micro-electronic and computer industry, optical fibers, laser technology, biological engineering, and so on. First, new materials serve as a material foundation for new technologies, and more often than not as a precursor to the birth of new technologies. Continuous upgrading and updating of basic materials stimulate the development of new technologies in all different historical periods. Second, the development of any new product and new trade not only signifies the creation and improvement of a whole set of new technological principles but demands continuous creation and application of its structural design, experimental devices, technologies and equipment. Third, the establishment of new industries should be guaranteed through renovated traditional technologies, and brand-new technologies and methods. Therefore, we may say that the budding and development of new industries and the continuous creation and renovation of basic technologies, basic materials and basic component parts are complementary to each other.

In developing new industries, scientific research should be carried out ahead of others. We should vigorously and yet prudently select a group of scientific research tasks to develop the technologies that can be used on a long-term basis. We call this tackling technical difficulties and developing the precision and advanced projects. The state has designated many fields to be developed on a priority basis. Which fields should our Tianjin develop? We should "select the best to follow." Selecting "the best" means that we should base ourselves on our actual conditions and advantages and on our municipality's opinions on study of the countermeasures for the new technological revolution to select micro-electronic technologies, information technologies, new materials, biological engineering, laser technologies and marine engineering as our priorities for development. In developing new technologies, we should have sufficient scientific research forces, and have diligent efforts, tenacity and dashing spirit. We should work hard and ceaselessly for 3 to 5 years and should undertake vigorous thinking to expand our achievements with an irresistible force whenever a breakthrough is made. Only when scientific research is carried out first can designing, technical methods, and preparations for production proceed in an orderly and step-by-step manner, and only when a great number of scientific research findings are achieved can new industries be established gradually.

6. It Is Necessary to Strengthen Basic Work When Popularizing Modern, Scientific Management.

We have learned that some enterprises have backward technologies and still more backward management. Without advanced scientific management, the advanced technologies and equipment we have imported will not be able to perform their functions. Some imported production lines failed to operate normally when the foreign experts left. In addition to the failure to master certain technologies, such a problem should be attributed to poor management. Conscientiously improving and strengthening enterprise management is a very urgent task that can create benefits immediately when fulfilled.

In strengthening enterprise management, we should give guidance according to different situations. The small number of units with strong basic management work should advance toward modern management. The remaining large number of units with weak basic management should put more efforts to strengthen their basic work. Our municipality has paid attention to enterprise basic management work for many years, and has greatly strengthened it. Judging from the present situation, there are still many problems, and we are still far from accomplishing the tasks of comprehensively improving enterprise management and raising the quality of enterprises. The basic data of some enterprises are incomplete and inaccurate and their technological documents are incomplete as well. Some enterprises are lax in technical discipline and have failed to operate in line with the technical rules. We should exert great efforts to grasp the basic managerial work of enterprises such as the standard quotas, the original records, metrological inspection and survey, comprehensive statistics, the responsibility systems technical discipline, training of staff members and workers, and economic accounting, and strive to grasp these work well within a short period of time in order to lay a good foundation for enterprise management. Enterprises which have already begun to carry out scientific management

and are prepared to promote modernized management should also continue to improve, replenish, and raise the standard of the present management of spadework in order to lay a stable and reliable foundation for promoting modernized management. While strengthening management over spadework, we should ensure that some enterprises are being managed in a modernized and scientific way. We should gain experiences through carrying out pilot work, gradually popularize the experiences, pay attention to actual results, and not seek an undeserved reputation.

In addition to grasping enterprise management, the departments in charge of comprehensive economic management should study ways to manage enterprises. It is necessary to resolutely foster the idea of serving the grassroots level and conscientiously improve the macroeconomic control of enterprises throughout the municipality.

It is Necessary to Strengthen the Building of Industrial Basic Links by Adopting Feasible Policies and Measures

Strengthening the building of the industrial basic links is a long-term arduous task. In addition to unifying thinking and clarifying countermeasures, we should also have feasible measures to guarantee its success.

1. We should properly arrange for the building of the basic links while formulating the municipal "Seventh 5-Year" Plan and plans for industrial development.

Over the past few years we have failed to properly define the direction and major points of the municipal industrial development. Last year, the third session of the municipal people's congress adopted an overall urban plan, giving us an outline of the national economic development plan for the "Seventh 5-Year" Plan period. The fourth session of the fourth municipal CPC Committee also put forward demands on formulating such a plan. At present we should strive to study and formulate a comparatively good industrial development plan as soon as possible. How are we to formulate the industrial development plan of Tianjin? I have also touched on other issues. Today, I want to stress one more issue. That is, we should reflect the spirit of laying a good foundation in our development plans. In the past, when formulating plans, we gave more consideration to output and output value figures and quotas and less consideration to strengthening basic construction. At present in formulating development plans we should integrate the industrial long-term development objectives with the major points of development and basic construction in order to raise the development level of the entire industrial sector. For instance, judged from a long-term perspective, Tianjin should provide more advanced technology and equipment for the interior. In that way, we should reflect in our plans how to exert efforts to strengthen the relevant basic construction. During the "Seventh 5-Year" Plan period, we should maintain a rational economic growth rate and exert more efforts in laying a solid foundation. The municipal "Seventh 5-Year" Plan should make appropriate arrangements for capital construction, technological transformations, the importing of technologies, the joint research of technological problems, the readjustment of production set-up, the coordinated supply of key raw materials, the strengthening of research and experimental bases, and the training of competent persons, all of which are

needed for building the basic industrial links. We should draw up relatively definite plans and arrangements for those questions of the 1990's, what degree of specialization, coordination, and association we will reach in industry through the efforts of readjustment and reorganization; how we can lay a solid foundation for the new systems through the reforms; what level our production means will reach as a result of building key projects and conducting technological transformations; how strong our self-renovation and self-development ability will become after importing, mastering, and applying advanced foreign technologies; how much the quality of our enterprises will be raised through strengthening the enterprise management; what level our basic technologies and methods will reach; what characteristics our basic component parts will have; what situation the production and supply of basic materials will create; and what measures we can adopt to ensure the realization of our projects.

2. We should formulate some supporting policies to create conditions for strengthening the construction of the basic links.

We should, first of all, give support to the fields of investment and credit. To lay a good foundation for our municipality's industry, we must put in considerably huge sums of funds, including a fixed amount of the foreign exchange funds. Capital shortage constitutes a serious difficulty in strengthening the construction of the basic links. How can we solve this problem? In addition to appropriately managing and using the existing funds and striving to raise the results in utilizing funds, we must try every possible means to open up more fund resources in many fields. We may consider releasing a fixed amount of funds from various local financial resources, and regarding them as funds for the strategic development of key basic projects. We can deposit such funds in banks for circulation, and then grant interest-free or low-interest loans to support the construction of the basic industrial links. Many basic links construction projects are unprofitable to the enterprises which undertake them, and the bank loans to such projects are not positive. Therefore, it is necessary to allocate some money to support the development of such projects.

In developing new projects and carrying out technological transformations, we should, in the field of making arrangements for funds, give overall consideration to the development of the finished products and the construction of the basic links. For instance, in terms of the investment in the mini-bus production project, if we invest a part of the money in casting and another part in modelling, the development of mini-buses can be integrated with that of the corresponding basic links. From now on, in developing capital construction, technological transformation, and import projects, we must make simultaneous designings for the construction of the basic links and the project as a whole, build them and give acceptance tests simultaneously, and instruct the pertinent departments to conduct examination. Of course, this is a relatively complicated thing, and we should not seek simplicity and uniformity in all affairs. Those units which can only make arrangements for the finished products but not the construction of the basic links due to some special reasons should make up for it afterwards. If possible, we should simultaneously design, build, and give acceptance tests to the basic links and the items as a whole. Another case is that when both the basic links and the finished products are run by an enterprise, it is possible for it to give unified consideration in developing a new project. But, if the basic links and the finished products are run by different enterprises, it will be difficult to do so.

Such a problem should be solved with the concerted efforts of companies, bureaus, and the municipality. Projects related to the basic links which require long construction periods should be granted low-interest or interest-free loans, and the deadlines for loan repayment should be properly extended. Before enterprises repay their loans, we should properly reduce or exempt their taxes, and allow them to repay their loans with the profits they earned. In the use of the portion of the foreign exchange that we are entitled to use after having our authority expanded, we should earmark a certain amount for renovation projects which yield slow results but which can create great economic benefits to society.

Second, certain preferential treatment in pricing and taxing should be given. In the production of a certain product, if the benefits from the production of the major part is a little too high and that from the production of accessories, which require basic technical methods, is a little too small, we should make adjustment in a planned and step-by-step manner, starting with the adjustment of some evidently irrational price parities. We should implement the policy of higher price for better equality, and change such a situation as calculating the value of cast products by tons instead of by the complexity of the technical methods required. Specialized plants and units which earn little profit should be given tax reduction or exemption, or be allowed to institute the contract system in profit and tax payment. In view of the fact that some enterprises related to the basic links earn rather small profits, we may leave all the depreciation funds and self-retained portion of profits to such enterprises or trades for use in technical transformation instead of pooling them together for use in a centralized way.

Third, many staff members, workers, and cadres engaged in the work related to the basic links, in particular basic technical methods, have made many contributions to their work under rather difficult conditions for years. We should strive to gradually improve their labor conditions, study and readjust well the distribution policies of enterprises, and conscientiously implement the principle of distribution according to work. Methods may vary according to different situations. Some may institute the piece rate wage system, and others may implement other forms of the economic contract responsibility system.

3. We Should Do a Good Job in the Development and Cultivation of Talented People in a Planned Manner.

A lack of talented people on the industrial front is an important factor directly affecting future industrial construction. This problem is all the more conspicuous in the departments and units related to basic links. According to statistics, specialized personnel engaged in casting, forging, and plating, the three major techniques in the municipality's machinery and electronic trades, account for 1.6 percent of their total staff and workers. If we divide these personnel equally to all plants, each plant may have only one half of the technical personnel. Among the electroplating workers of the electroplating plants run by towns and townships, who account for more than a half of the total electroplating workers of the municipality, none of them are engineering and technical personnel acknowledged by the state. If such a situation is unchanged, it will be impossible to improve the level of basic links even if we have funds and equipment.

What makes the situation of a lack of talented people worse is that some personnel are not properly used. At present there are many jobs that cannot be done because of a lack of technical personnel, and yet there are many technical personnel who cannot find jobs. In many of our trades related to the basic links, the engineering and technical personnel engaged in the job they are trained for account for a mere 50 percent. The distribution of these personnel is also very uneven. The engineering and technical personnel engaged in molding work are largely working at defense industrial units, units subordinate to ministries, and units of the First Machinery Bureau. However, 80 percent of the products of the units under the second light industrial bureau need moldings, and these units have very few specialized technical personnel, and even fewer engineers. We should give full play to the role of the scientific and technical workers. First, we should let them assume posts where they can display their role and conscientiously solve the problem of assigning them to posts which are unrelated to their specialities. Second, we should organize a rational transfer of competent personnel by adopting a planned transfer method, and readjust and organize the specialized personnel to form technical superiority and strength for the development of key products in line with the readjustment of the structures of industries, enterprises, and products. Through adopting economic methods, we may organize scientific and technical forces in society and transfer them to places where major and comprehensive production, scientific, and technical projects are being carried out. Third, we should continue to organize the five forces to jointly tackle key problems, pool the scientific and technical forces in and outside the municipality together, promote strong points and avoid shortcomings, create favorable conditions, and make more contributions to studying the major problems affecting the municipal economic and technical development.

We should give consideration to achieving prosperity in the 1990's, and foster and train the competent personnel in a planned manner. In training specialized technical personnel, we should attach primary importance to make them revolutionary, and conduct education on "ideals, morality, culture, and discipline," and on professional ethics among them. Universities, and colleges, as well as the secondary specialized technical schools should proceed from the needs of developing Tianjin's industry and economic construction, conduct necessary readjustment and reforms in the establishment of special courses, the teacher contingents, and the teaching content and methods, and strive to train more qualified scientific, technical, and managerial personnel. Tianjin's local colleges and schools in particular should share the work of the state key institutions and schools and of the institutions under the ministries, grasp the major points and run these schools with distinguishing quality. For instance, we are very short of competent personnel in the machinery and electronic, and instrument manufacturing sectors, especially in the technological sector. In the establishment of specialized courses, we should strengthen the training of personnel in these sectors. We may give consideration to enrolling through examinations some factory workers who have practical experiences and senior high school or secondary specialized school educational standards and train them to gear to the needs of the municipality. We should strive to raise the cultural and technical levels of the broad masses of in-service cadres and workers in a planned and step-by-step manner and purposefully train different personnel with different training content and methods. As for those scientific and technical personnel who have been working in these fields for a long time,

we should train them in a planned manner in order to update their knowledge and technology. We should also train those technical personnel who have changed their posts and served as cadres in charge of economic management work in order to improve their management knowledge and skills so that they will become experts in technology and management and new-type specialized technical cadres who are well versed in technology and management. It is also necessary to conduct education on general and technical knowledge and modern management among the leading managerial personnel who have been engaged in economic management work for years and whose cultural standards are comparatively slow. We should open up more channels for training competent personnel, and, in addition to fully displaying the role of the various regular institutions and schools as well as spare-time schools, pay attention to displaying the role of the federation of the societies of social sciences, the association for science and technology, the association of enterprises, and other mass organizations so that various competent personnel will emerge from all fields in a great number.

Comrades: A new year has already begun. During this year, the municipal CPC Committee and government have prepared to concentrate more energy on grasping the municipality's industrial construction. We should work in a down-to-earth manner, quietly immerse ourselves in hard work, find a way for industrial development suited to Tianjin's situation, and strive to open up a new situation in the industrial sector.

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CSO: 4006/760

ECONOMIC MANAGEMENT

PRC JOURNAL ON STRENGTHENING MACROECONOMIC MANAGEMENT

HK141041 Beijing JINGJI GUANLI in Chinese No 12, 5 Dec 85 pp 3-6

[Article by Wang Dacheng [3769 1129 2052] and Wu Hongguang [2976 5725 0342]: "Several Questions Concerning the Strengthening of Macroeconomic Management:-- edited by Pan Shucheng [3382 6615 3397]]

[Text] At the end of last year, several major problems emerged in the economic life of our country. These were inflation in fixed asset investments, loss of control over consumption funds, over-issuance of banknotes, and a drastic decline in foreign exchange holdings. People began to pay close attention to strengthening macroeconomic control. Although the situation has currently turned for the better, we are still looking for a way to establish an effective macroeconomic management system.

At the moment, Western countries are maintaining a slow economic growth rate. In 1984, the economic growth rate of the United States was 6.9 percent, while that of Japan was 5.8 percent. In the Soviet Union and Eastern European countries, economic conditions also improved to a certain extent. In the field of macroeconomic management, all these countries can provide certain worthwhile experiences for us to follow. This article will discuss several problems in regard to strengthening our country's macroeconomic management in light of the experiences of foreign countries.

Placing the Focal Point in Macroeconomic Management on Achieving a Balance Between Social Gross Supply and Social Gross Demand

For many years we have emphasized the correct handling of the proportionate relationship between agriculture and light industry, and heavy industry, and the proportionate relationship between accumulation and consumption, and have set the concrete demand of achieving balances in the four large sectors of finance, credits and loans, material resources, and foreign exchange. Western economists believe that their objective should be to strive for a full employment rate, as far as possible for only a slight degree of currency inflation, and for prolonged growth rate and a balance in international payments. We believe that although socialism and capitalism are radically different from each other in nature, they agree completely with each other in that in macroeconomic management they both seek the realization of a balance between social gross supply and social gross demand. Based on this, we should plan

and set up a macroeconomic management system and should no longer endeavor as in the past to suit everything to unrealistically high targets and high speed.

In our opinion, to do a good job in macroeconomic management in our country and to realize a balance between social gross supply and social gross demand, the key lies in controlling the scale of investment in fixed assets, particularly in capital construction. This is because capital construction investments have all along occupied a predominant position in the balancing of our country's finance, credits and loans, material resources, and foreign exchange. For example, in 1984, of our country's 146.5 billion yuan in financial expenditure, that devoted to capital construction amounted to up to 47.86 billion yuan, or 32.6 percent, occupying first place in financial expenditure. Of the gross amount of bank loans, capital construction loans likewise occupied a large proportion. As for materials and foreign exchange, a sizeable portion of each was taken up by capital construction.

Western economic theory holds that investment occupies an exceedingly important position in economic activities. It is not only the starting point of production and reproduction, but is also expected to generate a series of direct and indirect effects. Hence, governments of various countries are exceptionally concerned with the effects and influences of investments.

Over the past 30 years and more in our country, due to the excessively large scale of capital construction for a prolonged period, economic development has failed to achieve the results it should have obtained. As for the economic causes, it may be said that the several major readjustments made were a result of the excessively large outlay in capital construction. In recent years, the "investment hunger disease" has become aggravated daily. The Sixth 5-Year Plan originally called for a gross volume of capital construction investments amounting to 230 billion yuan. This target had already been exceeded during the first four years, and it is anticipated that the results of the enforcement of the Sixth 5-Year Plan will show an excess over the planned target of over 40 percent. During the 30 years prior to 1980, in only 3 years--1958, 1970, and 1978--were capital construction investments found to have exceeded the preceding year by 10 billion yuan or more. But in recent years, for many years in succession, capital construction investments have each year exceeded the preceding year by 10 billion yuan. The extent of the increase has greatly surpassed the country's tolerance level financially and economically.

Inflation in the scale of capital construction has brought with it many problems. First of all, it has inappropriately stimulated production's superspeed development, bringing about the evil consequences of high speed, high consumption, poor quality of products, and low economic benefits. Second, it has intensified the rise in commodity prices. Because roughly one-third of the capital construction funds are usually directly converted into consumption funds, inflation in the scale of capital construction not only brings about a state of stringency in the supply of the means of production such as energy and raw materials, but also causes the means of consumption to rise in price in a chain reaction. More importantly, in the initial period of the reform of the economic structure, if relatively plentiful financial power and

material resources are wanting, then no ground is left for maneuvers and readjustment.

It is true that keeping the growth of consumption funds within reason has an important significance in regard to the realization of the equilibrium between social gross supply and social gross demand, but in comparison with the control of capital construction investments, it takes second place. Control of the scale of capital construction will make it relatively easier to bring about a balance between social gross supply and social gross demand.

In controlling the scale of capital construction, it is important to have a unified understanding from top to bottom and overcome the ideas of being eager for quick success and instant benefits and seeking big and quick accomplishments. At the same time, it is necessary to take effective measures in administrative, economic, and legislative spheres. For example, letting the Planning Commission "take charge" of the examination and approval of capital construction projects, temporarily withdrawing power upward and allowing only the State Planning Commission and the planning committees at provincial levels to have the power of examining and approving capital construction projects; raising the interest rates on capital construction loans; investigating and affixing the responsibility of individuals for erroneous policy-making in capital construction; and so on.

Strengthening the Scientific Nature of Planning Work

In our country, planning work is the nucleus of macroeconomic management. The many errors in past economic work may frequently be traced to the defects in planning work. Hence, in strengthening macroeconomic management we must improve planning work and heighten its scientific nature. Although capitalist countries do not follow a planned economy, their methods of doing governmental intervention work are well worth our reference. In 1955, the Japanese Government, following completion of economic recovery, formulated in succession nine medium-term and long-term socio-economic development plans, including a "5-year economic self-support plan," (1956-1960, "doubling the national income [word indistinct]," (1961-1970, "New 7-year Socio-economic Plan" (1979-1985), and so on. These plans were mostly completed satisfactorily and have helped in effectively promoting Japan's social and economic development. These medium-term and long-term plans of Japan generally possessed the following special features: 1) embodying concrete and clear-cut plan targets; 2) taking international and domestic advantageous and disadvantageous conditions into consideration; 3) Mobilizing financial groups and enterprises to take part in compiling government plans; and 4) Making the guidance through of the plans aim at seeking real interest benefits and not necessarily speed or a show of impetus.

Among the socialist countries, Hungary's planning work has some special characteristics. Hungary's planning commission is formed by the heads of the economic departments, more or less like the standing committee of a ministers' meeting. The economic reform in Hungary has continuously reduced the scope of the central government's mandatory plans but fully respected the law of value and, on the basis of extensively using such economic levers as prices,

wages, and taxation, widened the scope of guidance plans. More recently, the Soviet Union has also stressed improvement in its planning work. They believe that Lenin's idea of converting the state planning commission into a scientific economic organization formed by congregating together noted scientists and principal specialists should be realized, and that the plans should give a prominent place to quality targets reflecting the growth of the labor productivity rate built on the foundation of the effective use of resources, a large-scale renovation of products, and scientific and technological progress.

We believe that based on our country's conditions, our planning work should be improved as follows: 1) Conversion from principally working on fixed targets, diversified investments, and grasping main projects to mainly stressing the study and formulation of strategies, targets, and major policies for socio-economic development; 2) Changing the practice of initially determining the growth speed and then turning back to work out the other targets to starting from society's actual needs and feasibility of the plan and then determining the ratio and speed of the development of the various departments; 3) Having planning work not only determines the targets, but also maps out the measures to realize and control the targets, without leaving too large a gap or having the disparity between reality and the plan be too large; 4) Based on the principle of controlling the big issues firmly and well and liberalizing and easing control on the minor issues, reducing the scope of mandatory plans while enlarging the scope of guidance plans and regulation by market mechanism, but, be it guidance planning or mandatory planning, respecting the role of the law of value and fully using economic levers; 5) Overcoming subjectivism and the tendency to do things at will, paying close attention to market and information feedback, and stepping up economic forecasting work; 6) Rectifying the practice of a small group of people "working behind closed doors" and broadly mobilizing the enterprise circuses and theoretical circles to actively participate in the formulation of plans, and, if necessary in the formulation of important plans, inviting the whole people to take part in the discussions just like the former case of the people's participation in the discussions on the Constitution; 7) Having the formulation and adoption of important plans go through a legal procedure, and in the event of serious errors, investigating the legal responsibility of the relevant departments and their responsible personnel; and 8) Improving the planning methods and improving the quality and standard of the personnel engaged in planning work, subjecting the planning personnel to a rigid system of rewards and punishment, and highly rewarding those who have made outstanding contributions.

Putting the Economic Regulation Functions of Financial Receipts and Payments Into Full Play

Appropriately readjusting the composition and direction of fiscal receipts and payments is an important measure for doing a good job in macroeconomic management.

Certain Western economists believe that tax collection is only a part of the whole taxation policy and that there is still another very important part which is the problem of building up a tax source. In 1984, the collection of individual income tax in the United States accounted for 44.44 percent of all tax

collection, while in Japan it was 40.42 percent. Despite collection of the individual income tax occupying first place in tax collection as a whole, in the final analysis, the source of individual income tax comes from the enterprise. Hence, in taxation, the American and Japanese Governments have given favorable consideration to the enterprises. According to statistics, the proportion occupied by corporate income tax in the aggregate tax collection is less than one-third in Japan and only 15 percent in the United States. When a government enforces a low tax policy for corporations, it seeks to enable the enterprises to speed up the renovation of their equipment and increase their investments of a productive nature, thereby stimulating economic development. Hence, in the final analysis, this reflects the demand for an increase in capital.

Recently, the United States Government has formulated a new tax revision program, according to which both individual income tax and corporate income tax will be greatly reduced. The highest rate for corporate income tax will be reduced from 46 percent to 33 percent. Thus, although the government's tax receipts will be temporarily reduced, because tax reduction will increase the individual's income and the corporation's income, this is tantamount to increasing savings and investment. Ultimately, the growth of the economy will compensate, and in fact surpass, the losses from tax reduction.

The important parts of the fiscal budgets of the American and Japanese Governments are devoted to social expenditure, which amounts to roughly 40 percent of the whole. They include expenses for public welfare work such as social welfare, social insurance, and public health and education. This is the government taking care of society and not the enterprises taking care of society. Thus, on the one hand, it enables the enterprises to concentrate on production and operations activities and, on the other hand, through cultivation of culture, technology, and the physique of the individual, it prepares the ground for development of the productive forces for the benefit of the enterprises. The American and Japanese Governments' financial expenditures for developing the economy have a major purpose in each and every period. For example, in the 1950's, Japan adopted the "slanting type" strategy, emphasizing the development of steel, coal, heavy, and petrochemical industries. Later it stressed the development of the machine-building industry and electronics industries, achieving notable results in all cases.

Based on foreign experiences, when using this economic regulation measure of fiscal receipts and expenditures, we believe that we should pay close attention to the following problems:

First, we must overcome the purely financial viewpoint. Finance and economics are closely related to each other. Economic development relies on financial regulation and support. In the final analysis, an increase in financial receipts depends on development of the economy. Hence, financial departments should not be interested only in taking in money, but should think of how to expand and build financial sources. Basically, the viewpoint of developing production must be cultivated. At present the profit retention level of our enterprises is low, their equipment is antiquated, their skills are backward, and they lack the necessary financial power to achieve self-transformation and

to expand reproduction. The reasons for all this may be traced to the practices in the preceding years of our intake of money from the enterprises being too great and the support given to them being too low.

Second, the taxation system must be perfected. At present our country has enforced the system of collecting taxes in leiu of profits and construction of the tax system has made some progress. But viewed as a whole, the taxation system is still imperfect. Some taxes which should be collected are not being collected while certain taxes that should not be collected are being collected. An example is the collection of individual income tax. Although collection of the tax is stipulated in the regulations, the regulations are not being strictly enforced. Many of the individual merchants and the so-called "10,000-yuan income households" who should pay taxes are not being taxed. Another example is the regulation tax. In name it is meant to offset the enterprises' differential receipts due to irrational prices. In reality, it is like "whipping the fast ox." This kind of regulation tax should be speedily abolished.

We should rationally arrange for our financial payments. At present the financial receipts of our country are still not great. Between the demand for funds and their availability, a rather large problem still exists. Hence, special attention should be paid to handling well the relationship between production and construction and improving the people's standard of living. When we look at the past, we may find that certain of the so-called major construction projects did not seem to have been so utterly necessary and correct. Hence, from now on, large fiscal payments must be first subjected to cautious deliberations.

Putting the Key Role of Banks in Economic Activities Into Full Play

Lenin once said: "Large banks are state organs which are urgently needed in our realization of socialism" devoid of large banks, socialism cannot be realized." ("Selected Works of Lenin," Vol 3, pp 307-308)

For a long time, we have not paid sufficient and important attention to the role of banks. The main existing problems are:

1. The banking business is not developed. This is principally manifested in the following: Banks do not have a high status in economic management, the banking network is not wide enough, the banks do only a unilateral type of business, emphasizing only cash control and not management of credits and loans or issuance of banknotes. They neglect the open up domestic money markets or develop business and dealings in negotiable securities.
2. There is lack of a scientific basis for the issuance of banknotes and the floating of loans. Both in 1983 and 1984, the issuance volume of banknotes greatly exceeded the extent of the growth of the social total output value and a great portion of it was irrational. The blind and unguided nature of loans was also extremely serious. In 1984, the total amount of the various kinds of bank loans granted increased by 28.9 percent over 1983. In December alone, the amount of increase in bank loans was 48.4 percent of the amount of increase

for the whole year. Such an irrational phenomenon has greatly impeded the development of the national economy.

3. The banks have suffered overly great interference from all sides and generally lack an independent nature. At present, the banks in our country have not yet played the role of financial center or accounting center or supervisory center, basically having the nature of being a "big cashier." Moreover, the banks are helpless before various improper practices such as recklessly overdrawing from the banks and so forth. Originally, the several tens of billion yuan of funds expended on the purchases of grain and cotton should have been paid by the finance department, but now they are first advanced by the banks, thus using up a large portion of the bank funds.

We believe that for the sake of accelerating the development of our country's planned commodity economy, it is necessary to elevate the status of the banks and put the role of banks in macroeconomic management into full play. Only through the banks grasping the aggregate volume and direction of the flow of social funds, only through the banks grasping the conditions in respect of the production, distribution, and circulation of whole society's commodities, and only through the banks exercising control over the issuance of banknotes and regulation of the interest rates so as to guide the direction and speed of the economic development is it possible, from now on, for our national economy to develop in a sustained, stable, and coordinated manner and is it possible to raise our management and control of the macroeconomic to a new level.

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CSO: 4006/757

ECONOMIC MANAGEMENT

PRC JOURNAL ON ROLE OF ENTERPRISE PARTY COMMITTEE

HK200659 Beijing JINGJI GUANLI in Chinese No 12, 5 Dec 85 pp 23-27

[Article by Sun Fakui [1327 3127 1145] and Zhao Yuhui [6392 1342 6540]: "The Role of Enterprise Party Committees as Guarantors and Supervisors"--edited by Liu Qichang [0491 0366 0788]]

[Text] Since the implementation of the factory director responsibility system in our enterprises, the party committees there have switched from functioning as the organizations exerting overall leadership over the production, operation, administration and management to functioning as those conducting the guarantee and supervision work. This is a major reform in the enterprise leadership system and in the work of the party committees. As the work in the experiments of this reform deepens and develops, many new problems have cropped up in the process of enterprise party committees conducting guarantee and supervision. How are we to combine theory with practice and thus conscientiously study the new situation, explore new paths, solve new problems, give further play to party committees' role as guarantors and supervisors and ensure the implementation of the factory director responsibility system? This is a new issue in strengthening and improving the leadership of enterprise party committees. This article is an attempt to give some rough views on it in the light of the practice of the experiments in Dalian City.

I. Meaning of Guarantee and Supervision

What is guarantee? Our understanding is: To guarantee means to take earnest responsibility and ensure actual implementation. The role of a guarantee is a method embodying the leadership role of the party. What we mean by guarantee here mainly refers to the responsibility of our party committees. This mainly means that politically, enterprise party committees must guarantee the socialist orientation of the enterprises, guarantee the implementation of the party's line, principles and policies and the state laws and decrees in the enterprises, guarantee the smooth transmission of the orders in the production and administration command system headed by the factory directors, and guarantee the all-round fulfillment of the state plans and the various production tasks of the enterprises.

What is supervision? Supervise means inspection and urging. The role of supervision is a kind of power that is granted to enterprise party committees to give

full play to their leadership role. It mainly means that the party committee of an enterprise should conscientiously supervise the thoughts, work, and work style of all the cadres in the enterprise including the factory director, enable the enterprise to correctly implement the various principles and policies of the party and state, correctly and satisfactorily handle the relations between the interests of the three parties--the state, the enterprise, and the staff and workers as individuals, and correctly and satisfactorily handle the relationships between the party organizations, the management, and the masses inside the enterprise, and thus ensure that all the economic activities of the enterprise proceed along a socialist orbit.

Some comrades hold that since the implementation of the factory director responsibility system, the party committees have been deprived of their power, the party's leadership has been weakened, and "guarantee and supervision are merely empty talks." This is a one-sided view. In fact, guarantee and supervision are a unity between responsibility and power. They are not only the party committees' important responsibilities, but also their very great powers. Only when we are very clear about the party committees' responsibility and only when we have fostered correct guiding thought, can we conscientiously exercise that power. Similarly, only when our party committees fully exercise their power of office can they effectively perform their office duties. From this we can see that guarantee and supervision are glorious responsibilities and very great powers that have been assigned to our enterprise party committees. They do not weaken the party's leadership, but on the contrary, they strengthen and improve our party's leadership over the enterprises. Precisely as Comrade Peng Zhen pointed out. "The guarantee and supervision conducted by party committees over the enterprises are very great powers. Guaranteeing the fulfillment of state tasks and guaranteeing and supervising the implementation of the party's principles and policies in our enterprises embody the party's leadership. We should never look down upon this." [RENNMIN RIBAO, 25 July 1984]

II. Relationship Between Guarantee and Supervision

At present, quite a few units have reflected that "it is easy to guarantee, but hard to supervise." Some have paid attention only to guaranteeing, but not to supervising, but others have stressed supervising only and neglected guaranteeing. One of the major reasons for the emergence of such a tendency is that they fail to correctly understand or satisfactorily handle the relationships between guaranteeing and supervision. Guaranteeing and supervision are an integrated unity, and are two aspects of one issue; therefore, neither of them can be dispensed with. /If we pay attention only to guaranteeing but not to supervision, the guarantee is a passive one; if we pay attention only to supervision but not to guaranteeing, the supervision will be an act to find faults./ Therefore, our party committees must conduct positive supervision and an effective guarantee. When they make the guarantee, they should not be passively subordinate to the factory directors and even less blindly follow the factory directors. On the contrary, they should conscientiously support the factory directors in the exercising of their authority of centralized direction over production and operating activities, guaranteeing and supervising the implementation of the party and state's various principles and

policies, and striving to fulfill the enterprises' tasks of building the two civilizations. Supervision does not mean that party committees find fault with factory directors while the latter are doing their work. It is supervision that is carried out throughout the process of decisionmaking and the implementation of the decisions. They should give much help beforehand, but should give less criticism after things have been done. By so doing they will turn the supervision afterward into prevention beforehand, and do their best to prevent errors in the factory directors' decisions.

According to the experience gained by some experimental enterprises, in order to correctly and satisfactorily handle the relationships between guaranteeing and supervising, the party committees should persist in doing three aspects of work together with the factory directors. First, in doing ideological work, the party committees should be of the same mind with and cooperate with the factory directors though there is a division of labor between them. The party committees should let factory directors have a free hand in doing work related to production, operations, administration, and management, but should not be on-lookers. They should be concerned about the work, but should not interfere in it; should support it but should not arrogate power to themselves; should be advisors, but should not make decisions; and they should pay attention to the work that the factory directors have neglected, but should not hinder the directors' work. Second, they should work for the same goal as that of the directors' so that there is a division of labor between them and the directors, but their work is not separated from the directors' work. They should conscientiously carry out ideological and political work centered around the production and operations of the enterprises. They should give full play to the party organizations' role as the fortress of struggle, and the party members' role as pioneers and models. They should earnestly ensure the implementation of the factory directors' decisions and the fulfillment of various tasks. Third, they should exercise control jointly with factory directors in the implementation of policies. They should always maintain a high degree of political identity with the CPC Central Committee [to] be able to proceed from reality, and be good at turning the party's principles and policies into the conscious acts of the vast number of staff and workers.

III. Major Contents of Guarantee and Supervision

Guaranteeing and supervising does not mean that the party committees should handle everything big or small, but that they should handle the major issues related to the orientation and the overall situation. Judging by most of the experiments that we are carrying out in our enterprises, there are roughly the following seven aspects to guaranteeing and supervising: 1) guaranteeing and supervising the correct implementation of the party's line, principles, and policies and the state's laws and decrees, and adhere to the socialist orientation of the enterprises; 2) guaranteeing and supervising the implementation of the directions and stipulation of the upper levels and the implementation of the various rules and regulations of the enterprises; 3) guaranteeing and supervising the all-round fulfillment by the enterprises of their production and operating plans and other tasks and strive to raise the economic results of the enterprises; 4) guaranteeing and supervising the correct exercising of the factory directors' authority, the teaching of cadres, party members, and the masses of the staff and workers to obey the

direction of the management headed by the factory directors, and the smooth implementation of the factory directors' policy decisions and directions; 5) guaranteeing and supervising the factory directors' selection and employment of administrative cadres at various levels of the enterprises in accordance with the standards of the "four transformations"; 6) guaranteeing and supervising the staff and workers in exercising their power of democratic management and giving play to their role as masters; and 7) supervising the cadres in observing the financial and economic regulations, correcting the various unhealthy practices such as violating the law and discipline, and guaranteeing that there is no encroachment on the state's economic interests.

IV. A New Concept Should Be Fostered in Order To Do a Good Job of Guaranteeing and Supervising

We should see that because of the prolonged implementation in our enterprises of the leadership system of the factory director responsibility system under the leadership of the party committees, many old ideas and concepts have struck deep roots. We should not underestimate this. For example, some comrades think that "when guaranteeing and supervising are carried out, the party committees will have nothing to do." A small number of comrades even hold that "the party committees have no power and, therefore, cannot supervise." An even smaller number of comrades even resent the practice of correcting the idea of "the party secretaries being leaders No 1, and the factory directors being No 2." They hold that this practice "reverses the normal order." Fundamentally, this shows that the old ideas and concepts have not yet been removed. Therefore, only by breaking the old concepts can we change the views of the leadership beforehand and can we adapt ourselves to the demand of the factory director responsibility system and lay a sound ideological foundation for doing a good job of guaranteeing and supervising. According to our city's practice, in the process of transforming the views of the leadership, we should focus on "breaking four old ideas and establishing four new ones." In other words, we should break the idea of "party committees being the cores of enterprise leadership" and establish the idea of the party committees playing the role of guaranteeing and supervising the work of production, operations, administration, and management; we should break the idea of "party committees exercising centralized leadership and their secretaries making the decisions," and establish the idea of party committees taking the initiative to coordinate with the management and do a good job of coordinating internal relationships; and we should break the idea of "power being indispensable to having prestige," and establish the idea of turning the party's principles and policies into the staff's and workers' conscious actions through vigorous ideological and political work. Only by so doing can we radically break the ideas that have emerged and become firmly established because of the prolonged implementation of the factory director responsibility system under the leadership of the party committee and adapt our minds to the new leadership system.

V. In Order To Do a Good Job of Guaranteeing and Supervising, We Should Draw a Clear Demarcation Line Between Participation and Interference

Some party committee secretaries worry that the supervision conducted by the party committees may unfortunately become interference and thus hinder the administrative command of the factory directors. As a result, they dare not participate in what they should participate in. Some factory directors smile at guaranteeing, welcome supervision, and even hold that in exercising a factory director's authority, the factory director should act in the manner of the three-step shot in a basketball game, in which those who touch the other player make a foul. This shows that it is imperative to draw a demarcation line between participation and interference. We say that after the implementation of guaranteeing and supervising, the party committees do not direct, take on, or interfere with the work of production, operations, administration, or management and should not hinder the factory directors' centralized leadership and full-power responsibility. This is correct, but this by no means shows that we think that the party committees should not be informed of and concerned about or take part in these activities. Drawing a clear demarcation line between participation and interference is shown in the following: First, the correct guiding thoughts. Does the party committee support the factory director's work with complete enthusiasm through its strict supervision and thus enable the enterprise to develop along a socialist orientation or does it find faults with the work of the management? Second, the nature and scope of the matters that the party committee participates in. Does it participate in major issues related to the orientation, policy, and the all-round situation, or does it participate in the daily work of production and administration? Third the means of supervision. Does the party committee give guidance to the various economic activities through internal means and thus make these activities conform to the party's and state's principles and policies or does it give orders and directly direct these activities?

In order to give full play to party committees' role of supervision, the factory directors should take the initiative to deliver the major issues related to the work of production, operations, administration, and management of the enterprises to the party committees for discussion. This does not hinder the factory directors from exercising their authority. On the contrary, it supports and provides a guarantee for the factory directors in exercising their authority. What major issues of an enterprise should be discussed by the party committee collectively? We think that in the main there are the following seven issues: 1) Development orientation, management policies, and long-term plans of the enterprise; 2) annual plans (including plans related to production, sales of products, development of new products, and product quality) and major technological transformation plans of the enterprise; 3) the formulation, revision, and abrogation of major rules and regulations of the enterprise; 4) the establishment of administrative and management organizations and relatively large-scale reorganizations or dismissals of the labor force; 5) appointments and removals of cadres at and above the middle level; 6) the establishment of joint ventures with foreigners and the import, development, and transfer of technology; and 7) plans to readjust wages in the enterprise, plans to promote staff and workers, plans on bonus distribution, plans to award and punish staff and workers, and plans on the use of

collective welfare funds, and other relevant major issues. Of course, in discussing these issues, the party committee only puts forth its views and suggestions, but does not make decisions. Some comrades asked: What if a small number of factory directors act arbitrarily, refuse to accept supervision, abuse their authority or violate the party's and state's principles and policies and thus cause serious losses? We hold that the party committees are fully empowered to supervise such factory directors and to make suggestions to the upper-level responsible departments on the necessary punishment.

VI. In Order To Do a Good Job of Guaranteeing and Supervision, We Should Correctly Handle the Relationship Between the Party Committee and the Management and the Relationship Between the Party Committee Secretary and the Factory Director

When we implemented the factory director responsibility system under the leadership of the party committee in the past, the party committee was the core of the enterprise leadership. But since we implemented the factory director responsibility system, we should no longer mention the idea that the party committee is the core of the enterprise leadership. This is because the factory director is now the representative of the legal person, shoulders all-round responsibility, and exercises centralized leadership over the work of production, operations, administration, and management of the enterprise. If we continue to regard the party committee as the leadership core, then the implementation of the factory director responsibility system will be empty talk. However, we should not therefore draw the conclusion that the factory director is the leadership core of the enterprise and that the factory director as an individual has the final say in the enterprise. What then is the relationship between the party organization and the management in an enterprise after the implementation of the factory director responsibility system? We hold that, from the point of view of the inner-party activities, the relationship between the factory director and the party committee is the relationship between an individual and his organization. From the point of view of the work, it is a relationship of the factory director shouldering the responsibility and the party committee supervising him. In the sphere of ideological and political work, the party committee shoulders the leadership responsibility, but in the spheres of production, operations, administration, and management, the factory director shoulders the leadership responsibility. They respectively play their centralized leadership role in the party committee management system and the administrative and managerial system. They differ from each other and link with each other. They have the common goal of struggle, both serve the better implementation of the enterprise's policies and the realization of its goals, and both shoulder the double task of building the socialist material and spiritual civilizations.

In guaranteeing and supervising, we should also correctly understand and handle the relationships between the party committee secretary and the factory director. They key to whether the relationships between the party organization, management, and masses of staff and workers are straightened out and whether the relationships between the party committee secretary and the factory director are satisfactorily handled. Therefore, while rejecting the

idea that "party secretaries are leaders No 1 and factory directors are No 2," we should be clear that the secretary and the director are respectively the major leaders of the party and management systems in the enterprise. Neither of them leads the other. Each is in charge of his own duties, closely coordinates with the other, and supports the other. There are the new-type work relationships between them.

When we implemented the factory director responsibility system under the leadership of the party committee, the principal aspect of the contradiction was often the party committee secretary. But now, since the implementation of the factory responsibility system, the principle aspect of the contradiction has often been the factory director. As a party committee secretary, he should back up the factory director satisfactorily as well as facilitating the exercising of the factory director's authority. The party committee secretaries in some units have consciously adhered to the "three principles." Do not scramble for power in the ideological sphere; do not overstep their power in doing their work; and do not have a work style of acting arbitrarily. At the same time, they pay attention to satisfactorily handling the "three relationships": When the factory directors encounter difficulties and resistance in their work, the party secretaries should closely coordinate with them and conscientiously help overcome the difficulties; when the factory directors and party secretaries differ in their opinions, they should make allowances for each other in the light of the spirit of paying attention to principles in dealing with major issues and paying attention to mutual accommodation in dealing with minor things, respect each other, and strive to unify their opinions through repeated discussion; and when the factory directors have committed mistakes in their work, the secretaries should sum up experience jointly with them, have the directors publicly correct their mistakes and pay attention to protecting the directors' prestige. In the Dalian Towel Factory, the newly-appointed factory director was only 34 years old and regarded the relationships between himself and the old party secretary as those between a young "sister-in-law" and an old "father-in-law." He worried that he could not be able to do his job satisfactorily. Therefore, the secretary of the party general branch time and again had heart-to-heart talks with the factory director, encouraged him to have a free hand in doing his work and formulated four stipulations on handling the relationship between the secretary and the director: namely, ideologically, they should exchange views with each other, unify their understanding and have identical views; in doing their work, they should support, closely coordinate with, and vigorously cooperate with each other; concerning their work schedules, they should make reasonable arrangements to make their work correspond to each other's and prevent scheduling conflicts, in shouldering their responsibilities, they should both be strict with themselves, shift merit to each other, and be first to shoulder the responsibility for mistakes. As a result, the factory director dares to exercise his power and has learned how to use his power, and the relationships throughout the factory have been straightened out and all the people there are of the same mind. In the first half of this year, the factory more than doubled its realized profits compared with the same period last year.

VII. In Order To Do a Good Job of Guaranteeing and Supervising, We Should Have the Guarantee of Regulations

During the experiments, many enterprises have learned that in order to establish a new type of relationship between the party organization and the management and in order to give full play to the party committee's role of guarantor and supervisor, it is not enough to merely rely on good personal relations between the two people, and it is also imperative to establish and perfect the various regulations for the conduct of guaranteeing and supervising. In the process of establishing and perfecting regulations, we should very satisfactorily combine summing up our historical experience and carrying on our fine tradition with continuously carrying out reform and blazing new trails. We should put an end to the practice of having no regulations to follow in doing our work and grasping only the problems that we encounter, and the practice of refusing to follow the regulations that have already been formulated and grasping our work at will.

Judging by the reality in the enterprises in which the experiments have been carried out in Dalian City, the following regulations have mainly been established and perfected in order to facilitate the party committees' guaranteeing and supervising: 1) Study regulations. The basic theory of Marxism is conscientiously studied and so are the party's principles and policies so that the grounds for the guaranteeing and supervising are mastered. 2) Party committee work regulations. The committee mainly studies the way to intensify its work in strengthening party building and its ideological and political work. 3) Regulations concerning listening to the factory director's work reports. The party committee discusses the major issues in the enterprise's work of production, operations, administration, and management and puts forward opinions or suggestions. 4) The information feedback regulations. The party committee does a good job of investigation and study, is consciously informed, and discovers the experience gained from and the problems in the economic activities of the enterprise and is a good advisor for the factory director in making policy decisions. 5) Regulations concerning the party committee secretary participating in the factory affairs meetings and factory management committee meetings presided over by the factory director. The party secretary takes part in studying the major issues of the enterprise and helps the factory director make correct policy decisions. 6) Regulations concerning the joint meetings of the leaders of the party organizations, the management, the trade union, and the CYL organizations presided over by the party committee secretary. These meetings enable these leaders to be informed about the situation in various sectors and coordinate the relations between various sectors inside the enterprises. 7) Regulations concerning the heart-to-heart talks between members of the leading groups and democratic life meetings. 8) Regulations concerning strengthening the leadership over the trade union organizations and the workers and staff congress and the establishment of democratic management. 9) Regulations on periodically evaluating and supervising cadres. And 10) Regulations related to the responsibility system geared to the work of grasping party style and discipline and related to the work of heightening the sense of discipline.

In short, by establishing and perfecting full sets of regulations, we will be able to ensure by written regulations the full play of the party committee's

role of guarantor and supervisor, give play to the initiative of the three parties, and make them work in coordination and with one heart and one mind for the same goal.

VIII. Methods of Guaranteeing and Supervising

In order to do a good job of guaranteeing and supervising, in addition to establishing and perfecting full sets of feasible regulations, we should adapt ourselves to the new situation and adopt effective methods. First, the party committees should teach party members and staff and workers to obey the command of the factory directors and ensure the fulfillment of the various tasks of the enterprises. Second, they should make deep investigations and studies, manage to consciously provide the upper-level's policies and regulations related to the decisionmaking beforehand, reflect the staff's and workers' state of mind, and put forward their suggestions and opinions. In implementing the factory directors' decisions, they should remove the obstacles to the implementation through vigorous ideological and political work and thus smooth the path. After the implementation, they should promptly and satisfactorily solve, through the means of guaranteeing and supervising problems that have cropped up in the economic activities. Third, they should satisfactorily grasp the development of the party organizations themselves and give full play to the party organizations' role as fighting fortresses and the party members' role as pioneers and models. Fourth, they should strengthen their leadership over mass organizations and organize them to play their positive role in implementing the factory directors' policy decisions and ensuring the fulfillment of various tasks. Fifth, they should satisfactorily grasp ideological and political work and give full play to the guarantor role of ideological and political work.

IX. The Principle To Be Followed for Guaranteeing and Supervising

In order to enable the party's work in the enterprises to meet the demands of the new situation and new tasks, we hold that we should follow the following three principles in guaranteeing and supervising:

1. We should adhere to the principle of being subordinate to and serving economic work. The "decision" of the 3d Plenary Session of the 12th CPC Central Committee clearly points out: "During the new period, the party's ideological and organizational work must firmly implement the guiding principle of serving the party's general task and goal and of being carried out closely in the light of the reality of the economic construction and the economic structural reform." In our enterprises, we should do a good job of guaranteeing and supervising around the central task of serving production and operations, enable our ideological and political work to permeate the various spheres and links of the economic activities of the enterprises, and closely combine this work with the economic work. If we deviate from that central task, the guaranteeing and supervising will be work without a foundation.

2. We should adhere to the principle of simultaneously grasping the two civilizations. While building a high degree of material civilization, we must strive to build a high degree of socialist spiritual civilization. A

socialist industrial enterprise is assigned the task of building a high degree of socialist spiritual civilization as well as that of building a high degree of material civilization. It should not only create more and better material products for the society, but should also train a generation of new socialist people who have ideals and morality, are educated, and observe discipline. For this purpose, all the leaders and cadres of the party organizations, the management, trade union, and CYL organizations should strive to manage to start from ideological and political work in doing economic work and proceed from economic work in grasping ideological and political work, closely combine the two kinds of work, make each promote the other, and put an end to the long-standing malpractice of separating one from the other.

3. We should adhere to the principle of strengthening the work of the party, the management, and the masses. This means that the party committee's guaranteeing and supervising must be conducive to strengthening the factory director's centralized command over the work of production, operations, administration, and management, to strengthening the party's work in the enterprise, and to strengthening the democratic management of the staff and workers. By so doing, we will strengthen the work of both the party and the management and the masses of staff and workers within the scope of their duties rather than "merely strengthening the work of one sector and weakening the work of the other two sectors."

X. The Major Indicators for Measuring the Results of Guaranteeing and Supervising

In doing our economic work, we should pay attention to economic results and we should do so in the work of guaranteeing and supervising. The work of guaranteeing and supervising should be evaluated comprehensively. We should carry out an all-round and scientific assessment on the thorough implementation of the party line, principles, and policies, the fulfillment of the key tasks of our enterprises; the construction of the two civilizations; and the establishment of new-type relations between the party and the management in the enterprises. We are of the opinion that, concretely speaking, there are at least these indicators: 1) The party organization, the management, and the masses must correct their guiding ideology, heighten their awareness, and transform their ideas, concepts, leadership style, and work methods; 2) the party, the management, and the masses work out three detailed rules and regulations of actions and make clear their respective positions and the roles which they should play in the enterprises. They should divide among themselves their respective duties, limits of authority, and work tasks, and establish a complete set of work systems and order so as to make their work regular, orderly, and systematic; 3) the leading group must meet the requirements of the four transformations. Its members should satisfactorily unite with and have smooth relations with one another and must correctly implement the party line, principles, and policies; state laws, decrees and regulations; and the instructions and decisions of government at higher level; 4) we should improve the ideological and political quality of the ranks of staff and workers, strengthen their sense of responsibility as masters and must fully bring into play the initiative and creativity of the masses of staff and workers in order to ensure

the fulfillment of the various tasks of production and operations in our enterprises; 5) the party, the management, and the masses must develop their activities closely around the production and management of enterprise and give full play to their roles and ensure the all-round implementation of the enterprises' policies, the all-round realization of their goals, and a comparatively great increase in the economic results of the enterprise; and 6) our enterprises simultaneously carry out and achieve good results and continue to score new achievements in their construction of the two civilizations.

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CSO: 4006/757

ECONOMIC MANAGEMENT

PRC JOURNAL ON ENTERPRISE LEADERSHIP SYSTEMS

HK190707 Beijing JINGJI GUANLI in Chinese No 12, 5 Dec 85 pp 15-22

/Article by Jiang Yiwei /5592 0001 5517/, Lin Ling /2651 0407/ and Ji Zhong /4764 0022/: "On Systems of Socialist Enterprise Leadership With Chinese Characteristics"/

/Text/ I. Enterprise Leadership Systems Are an Important Matter in Building Socialism With Chinese Characteristics

1. The "Decision" put forward by the 3d Plenary Session of the 12th CPC Central Committee is a great program for reforming our nation's economic structure and points out a clear direction for building socialism with Chinese characteristics.

The "Decision" clearly points out: "Strengthening the vigor of enterprises is the central link in the reform of the economic structure." At the same time it points out that around this central link, it is necessary to establish the correct relationships between the state and enterprises, and between enterprises and workers. It points out that this is an intrinsic component and basic requirement of the reform of the economic structure which has the urban areas as its focal point.

The enterprise leadership system is the point of contact in the relationship between the state and the enterprises, and in the relationship between the enterprises and workers. It must manifest both the relationship between the state and the enterprises and also the relationship between the enterprises and the workers. Therefore correctly formulating a socialist enterprise leadership system is a matter of basic significance in the overall reform of the economic structure.

2. Enterprises are not only the place where social productive forces can directly bring their roles into play, but are also direct manifestations of the social relations of production, and miniatures of the socioeconomic system. We say that public ownership, distribution according to work, planned management, economic democracy and so on are characteristics of the socialist economy. These characteristics are, in the main, manifested or implemented in enterprises.

An enterprise is not an abstract or vague concept. It is an entity which engages in economic activities. This entity is manifested as a number of people and an amount of materials collected together. If we speak of industrial enterprises, the entity centralizes material factors such as factory buildings, machinery, new and semifinished materials, finished products and semifinished products. At the same time, it centralizes a number of people, including the enterprises' production laborers and the owners of the enterprises' means of production. These people form definite relations of production, and the enterprise leadership system manifests, in a centralized way, these relations of production. Because socioeconomic systems differ and economic system models also differ, enterprise leadership systems are also different.

3. In enterprises' relations of production, who is the main part of the enterprise? Who is to arrange the means of production in enterprises and take charge in production operations? These are basic questions in deciding on the enterprise leadership system.

In capitalist enterprises, the owners of the means of production (the capitalists in monopoly capital operations and shareholders, or the boards of directors which represent the shareholders, in operations with pooled capital) are also the main part of the enterprise. At the same time, they also arrange the means of production and are decisionmakers in terms of production operations. In such capitalist enterprises, laborers are but employees of the capitalists. They are the targets of exchange at equal value between capital and labor, and are the objects of the enterprise. The capitalist enterprise leadership system which is established on the base of private ownership of the means of production, is inevitably manifested as control of the laborers by the owners of the means of production. Although some capitalist enterprises, in order to alleviate class contradictions adopt methods such as "workers becoming shareholders," "workers participating in management" and so on, these methods cannot change the real position of laborers whereby they are exploited and controlled.

4. Socialism implements public ownership, and gets rid of the relationship whereby man exploits man and laborers become the masters of the means of production. This thereby brings about a basic change in the position of laborers. However, public ownership has the two different forms of whole-people ownership and collective ownership. Whole-people ownership enterprises, under different economic systems, also have different management forms, while the positions and roles of laborers within enterprises differ greatly.

In collective enterprises which are worthy of the name, the staff and workers are production laborers and also direct owners of the means of production. Thus, staff and workers are the main part of the enterprises and at the same time are the arrangers of the means of production and decisionmakers in terms of production operations. This manifests the direct linkage of laborers and the means of production.

The means of production in enterprises under whole-people ownership are owned by the whole people, and the state represents the whole people in exercising ownership of the means of production. Staff and workers in the enterprises

are part of the whole people and so, seen overall, they are the masters of the enterprise's means of production. But as to the specific situation of the enterprise, are they the main part of the enterprise? How much power do they have in terms of arranging the enterprise's mean's of production? How much decisionmaking power do they have in terms of the enterprise's production operations? Different economic system models adopt different forms and these are manifested in different enterprise leadership systems.

II. Different Economic System Models and Different Enterprise Leadership Systems

5. The socialist system has two very basic characteristics. First, it has public ownership of the means of production and thereby changes the phenomenon under the capitalist system whereby things (capital) control man (laborers) and man is exploited, to a system whereby men (laborers), control things (the means of production) and where thereby the laborers' enthusiasm, motivation and creativity are fully brought into play. This is a basic standpoint which shows socialism's superiority to capitalism. The second is that, on the basis of public ownership, the economic activities of the whole society are developed in a planned and proportional way. This thereby overcomes the situation in capitalist society whereby production is anarchic.

In socialist practice, because the degree to which the above-mentioned two superiorities are brought into play is different, and the forms by which effective combination of the unitary nature of macroeconomic control and the vigorous nature of the microeconomy is achieved are different, it gives rise to different socioeconomic systems and different enterprise leadership systems.

There are two socialist economic system models which are of a representative nature: One is the Soviet Union model of unified state control, characterized by centralized power and the second is the Yugoslavian model which stresses enterprise autonomy and is characterized by decentralized power. Both of the models have their advantageous and disadvantageous points.

6. The characteristics of the Soviet Union model is that the centralized and unified nature of the socialist economy is stressed. By proceeding from this base, it forms an economic system with logical internal connections, and from this derives its enterprise leadership system. The sequence of logic of this system is generally as follows:

The overall national economy is a unified economic entity;

Products produced are for satisfying one's own needs. Thus, they are not commodities and the commodity economy does not exist;

The state uses mandatory planned material targets in organizing overall national economic activities;

Whole-people ownership is the highest form of public ownership;

Ownership cannot be separated from the right of operation. The means of production in enterprises under whole-people ownership are owned by the state and the enterprises are "state-owned and state-operated";

Enterprises are appendages of state administrative organs and, as government and enterprise functions are not separated, the state directly operates and manages enterprises;

The tasks of enterprises are handed down by the state in a unified way, products are allocated by the state in a unified way and the state is responsible in a unified way for profits and losses;

The staff and workers of enterprises are state employees and are deployed in a unified way by the state;

Allocation is carried out for individual staff and workers on the basis of distribution according to work, in accordance with unified state regulations, but this is not completely or directly linked up with the economic results of the enterprises;

The directors (or managers) of enterprises are appointed and dismissed by the state and they represent the state in managing enterprises;

Within enterprises, there is the "system of one-man leadership" and all power rests with the director (or manager).

Although our nation's original economic system differed in some respects from the model detailed above, basically it adopted this model. The 3d Plenary Session of the 12th CPC Central Committee pointed out: "The major defects in this model are that enterprises are appendages of state power and no clear distinction has been drawn between the functions of the government and those of the enterprise; barriers exist between different departments and regions; the state has exercised excessive and rigid control over enterprises; no adequate importance has been given to commodity production, the law of value and the regulatory role of the market; and there is absolute egalitarianism in distribution. This has resulted in enterprises lacking the necessary decisionmaking powers and the practice of "eating from the same big pot" prevailing in the relationship between the enterprises and the state and between staff and workers and their enterprises. The enthusiasm, initiative and creativity of enterprises and staff and workers have, as a result, been seriously damped and the socialist economy is bereft of much of the vitality it should possess."

7. The characteristic of the Yugoslavian model is that it stresses the democracy of the socialist economy and has instituted worker autonomy. This has also formed an economic system with logical internal connections. It completely negates the Soviet Union model. They believe:

The overall national economy is a labor combination;

Groups of combined labor have complete independence and engage in commodity production and exchange;

State planning is only for guidance. Enterprises have autonomy in their operations and are solely responsible for their own profits and losses;

They completely reject the system of whole-people ownership and other social ownership systems which differ from whole-people ownership and also differ from collective ownership systems;

Ownership and the right of operation can be separated, whereby there is social ownership, but operation by the enterprise;

The workers' committees are the highest organs of power in the enterprises. Government and enterprise functions are completely separate and the state cannot interfere in the production operations of enterprises;

An enterprise's director (manager) is appointed by the workers' committee and is responsible to the workers' committee;

Within the enterprises there are various levels of democratic rule.

The Yugoslavian model has achieved rich experiences in developing the democracy of the socialist economy and in motivating the enthusiasm of the laborers. In economic development it has also realized great achievements. In recent years, the Yugoslav economy has experienced great difficulties. The reasons for this are many, but an important one has been faults in strategic decisionmaking. Another important reason is that in the system, enterprise autonomy has developed into social autonomy, and this has weakened effective federal macro-economic control, resulting in serious local decentralism.

8. The task in the reform of our economic system is, by proceeding from China's actual conditions, to link up the basic principles of Marxism with China's actual situation and establish socialism with Chinese characteristics. In respect of our nation's economic structural reforms, the 3d Plenary Session of the 12th CPC Central Committee put forward a series of principles with both theoretical and practical significance. The major principles are:

The socialist economy is a planned, socialist commodity economy;

Enterprises are relatively independent economic entities. They are socialist commodity producers and operators which are independent in their operations and solely responsible for their own profits and losses;

Enterprises have the capacity to transform and develop themselves and act as legal persons with certain rights and duties;

Enterprises' ownership and operating rights can be appropriately separated;

Government and enterprise functions are to be separated and enterprise autonomy is to be expanded;

The position of workers as masters of their enterprise is guaranteed;

Diverse economic responsibility systems with the contract system as their main part are to be established;

Director (manager) responsibility systems are to be established so that in the enterprises the authority of the leaders is unified with the position of the laborers as masters, and with the motivation and creativity of the laborers;

And so on.

This series of important principles sets the standards upon which we are to formulate our nation's socialist enterprise (here, mainly referring to whole-people ownership enterprises) leadership system. We must, in accordance with these standards, make specific stipulations which have our nation's characteristics and logical internal connections, in respect of our nation's enterprise leadership systems.

III. The Relationship Between the State and Enterprises

9. If we are to establish a correct enterprise leadership system, we must first clarify the nature of enterprises and the correct relationship between the state and enterprises.

The 3d Plenary Session of the 12th CPC Central Committee made clear that our nation's whole-people ownership enterprises are relatively independent commodity producers and operators. They are different from both the Soviet Union model, whereby they are appendages of administrative organs, and from the Yugoslavian model whereby they are completely autonomous. Our model is: the means of production in whole-people ownership enterprises are owned by the whole people, and the state controls the right of ownership. At the same time, the right of ownership and the right of operation are appropriately separated, while state organs, through planning and economic, administrative and legal measures exercise necessary management, inspection and guidance over the enterprise. However, they do not directly operate or manage the enterprises. Thus, the enterprises become economic entities which are independent in their operations and solely responsible for their own profits and losses, and which have the capacity to transform and develop themselves.

10. In accordance with the principle of separating ownership rights and operating rights and separating government and enterprise functions, state organs must streamline administration and institute decentralization. This produces two specific problems: 1. Which administrative powers should be handed down and which should be retained? 2. Who should exercise the right of autonomy in enterprises?

When the ownership of enterprises' means of production is controlled by the state, it cannot be decentralized. Enterprises' major operational decision-making, including the direction of the enterprise's production operations; the opening of an enterprise; the closing down, stoppage, merger, conversion and shifting of enterprises; important technological transformation and rebuilding of enterprises; the appointment and dismissal of major leaders in the enterprise; and so on, still must be decided by the government, which controls the right of ownership of the means of production. However, the normal operational decisionmaking and management power in respect of an enterprise should be exercised completely by the enterprise, and the enterprise should be responsible for the results of their operations and for their profits and losses.

Now, what needs to be further explored is: Who is going to exercise the decisionmaking power and management autonomy handed down to enterprises? Who is going to take on the responsibility the enterprise accepts for its operational results and profits and losses? Related to this, who will be the enterprises' legal person? Who will shoulder the enterprises' rights and obligations as set down in the law? These all touch on a basic question--in the end, who is the main part of an enterprise under whole-people ownership?

In capitalist enterprise established on the basis of private ownership, the owners (monopoly capitalists and shareholders in pooled-capital operations) of the means of production (capital) are the main part of the enterprise and are also the legal persons of the enterprise. The chairman of the board of directors or the director (manager) are only representatives of the legal person.

In a socialist collective enterprise, the owners of the means of production and the production operators are the same. Here, all staff and workers, as the owners of the means of production, are the main part of the enterprise. They are also the legal person of the enterprise, while the factory director is the representative of the legal person.

In an enterprise owned by the whole people, the means of production are controlled by the state. If we also take the owners of the means of production as the main part, then the state is the main part of the enterprise, and it follows that the enterprise should be an appendage of a state administrative organ. It is also natural that a director (manager) who is appointed by the state, represents the state in managing the enterprise, and takes on the rights and responsibilities of the enterprise. In this situation, the state is the legal person and the factory director is the representative of the legal person. The corollary of this is that responsibility for the profits and losses of the enterprise will naturally be borne by the main part of the enterprise--the state. This will inevitably lead back on to the old road where the state directly operated and managed enterprises. Thus, what is referred to as expanding the autonomy of enterprises is, like some reforms in the Soviet Union, really only an expansion of operational autonomy, not an expansion of enterprise autonomy.

The 3d Plenary Session of the 12th CPC Central Committee particularly stressed the protection of the laborers position as masters in enterprises. On the basis of this principle, we believed that an enterprise's day-to-day decision-making and management power can only be exercised by the whole body of workers in an enterprise (including both physical laborers and mental laborers). That is to say, the state should hand all of an enterprise's means of production over to the whole body of workers within the enterprise, which would then be responsible for operations. The laborers will thus take responsibility for operational results and profits or losses. The whole body of staff and workers will be the legal person, and the factory director (manager) will represent the legal person.

Whole-people ownership enterprises are "state-owned" enterprises and in the past were directly operated by the state. It was thus customary to refer to them as "state-run" enterprises. In future, apart from a small number of

enterprises (such as the railways) which must remain "state-owned and state-run," the majority of enterprises should have "whole-people ownership and collective operations" or, in short, they should be "state-owned and collectively-run." Also, a small number of small enterprises can be handed over to collectives or individuals for contracted or leased operations. It is also possible to adopt compensated transfer methods and change such enterprises into collectively-owned enterprises.

1. In clarifying the relationship between the state and enterprises, it is also necessary to decide organizationally on who is going to represent the state in managing state-owned enterprises.

In managing the economy, a socialist state, apart from having the function of macroeconomic planning and controlling the national economy, also has certain management functions in respect of various types of enterprises (including whole-people, collectively and individually-owned enterprises, as well as foreign-owned enterprises). These functions are carried out through the comprehensive economic departments and industrial management departments. However, because the ownership of the means of production in whole-people ownership enterprises are controlled by the state, apart from general management functions, the state must also carry out a number of special management functions in respect of these whole-people ownership enterprises. These functions include the management and supervision of enterprise funds, decisionmaking in respect of the direction of the enterprises' operations and important construction, the appointment and dismissal of enterprise leaders, and so on. These special management functions are carried out by organs, established by the state and responsible for enterprises, as representatives of the state. Thus, in terms of the ownership rights relationship, the responsible organ and the whole-people ownership enterprise have a relationship of leader and led, manager and managed. However, this leadership and management can only be exercised in accordance with the principle of separation of government and enterprise functions, and exercised externally from the enterprise. It cannot interfere in the "internal affairs" of the enterprise.

In order to prevent enterprises from acting in ways which will harm the state's interests, is it necessary to station state representatives in enterprises to carry out supervision from within the enterprises? We believe that it will not be necessary. Under the condition of implementing the principle of appropriate separation between ownership and operating rights, the enterprise's upper-level responsible departments will represent the state and will carry out supervision of the enterprise. This is a responsibility and a power given to it by the law. At the same time, financial, taxation, materials, pricing, banking, auditing and such state organs all have the authority, within the limits of their own jurisdiction, to inspect and supervise the activities of enterprises. In addition, enterprises as legal persons must take legal responsibility for the results of those of their actions which are illegal. If a further state representative is sent to be stationed in the factory to carry out supervision, it will be inevitable that we will again follow the old road where there is interference in the daily production operations of the enterprises, which will harm the autonomy of enterprises. As to the internal supervision of enterprises, we should fully bring into play the guaranteeing

and supervisory role of trade unions and other mass organizations. Sending additional state representatives to be stationed in factories will be disadvantageous to bringing into play the role of the party organizations and the supervisory role of the masses.

IV. The Position of the Working Masses Within Enterprises

12. The 3d Plenary Session of the 12th CPC Central Committee pointed out: "The wellspring of vitality of the enterprises lies in the initiative, wisdom and creativity of their workers, both in mental and physical work," and that "In restructuring the urban economy, it is imperative to handle correctly the relationship between the staff and workers, and the enterprise, so that they are the real masters and they can work as such in their jobs. This will arouse their deep interest in the operation and effectiveness of their enterprise, so that their performance is closely linked with their social prestige and material benefits." These above-mentioned principles must be concretely manifested in enterprises' leadership systems.

If we really wish the staff and workers to become masters of their own house, then we must first set down clearly that the main part of a socialist enterprise is the working masses. The entire body of the staff and workers in the enterprise should be the enterprise's legal person, which takes on the legal person's rights and obligations. When enterprise's operational autonomy and responsibility for profits and losses are spoken of, what is being referred to is the autonomy of and responsibility by the whole body of staff and workers. Only after setting down the position of staff and workers as masters of the enterprises will it be possible to "arouse their deep interest in the operation and effectiveness of their enterprise so that their performance is closely linked with their social prestige and material benefits." Thus, in respect of enterprises under whole-people ownership, apart from a small number which must be "state-owned and state-run," the majority should be "state-owned and collectively-run." The staff and workers should exercise their lawfully given decisionmaking power in respect of the enterprises' production operations. They will also take on quite an amount of economic responsibility, which will result in the interests of staff and workers being directly linked with the enterprise's results.

13. Workers' congresses are the main means by which staff and workers exercise their right of democratic management. As in state-owned enterprises the staff and workers of the enterprises must collectively take on responsibility for production operations, the staff workers' congress will inevitably become the organ of power in the enterprise. Within the limits as set down by state laws, it should not only have decisionmaking power in terms of the enterprise's production operations, but should also have legal power in terms of the rules and regulations within the enterprise. It should have the power to select and appoint major leaders within the enterprise, the power to decide on the funds to be retained by the enterprise and the allocation of bonuses to staff and workers, and the power to supervise enterprise leaders. If staff and workers' congresses are only bodies for the enterprises' leaders to consult, only bodies for supervising leading persons and only have a discussion and appraisal role in decisionmaking as it relates to production operations, then staff and workers as masters will be just empty words.

Some comrades say that the staff and workers representatives come from different posts and are not conversant with the whole situation, and thus cannot take correct decisions in respect of the enterprises' production operations. Such statements are not in accord with objective reality. Staff and worker representatives include workers, technicians and managers, who are well-informed about the various aspects of their enterprise. In recent years, the educational standard and political quality of staff and worker representatives have been great improvement. The number of people who are concerned with the enterprises and are good at management and have operational abilities are everincreasing. Such people act only after deliberation and as such have the conditions for putting forward rational proposals and making correct selections in respect of enterprise operational decisionmaking.

Some comrades hold that if enterprise decisionmaking is carried out by the workers' congress, it will affect efficiency and obstruct unified guidance by the factory direct. This is also not in accord with objective reality. Workers' congresses generally will take decisions only in respect of major questions of production operations, and only after carrying out discussions. Such meetings will only be necessary a few times a year and will present no obstructions to the exercise of centralized leadership by the factory director. In fact, the reverse is the case, as decisions taken in respect of important matters within the enterprise, after discussion by the workers' congress, will not only have had the benefit of collective wisdom, but will be able to change the attitude of the workers, which will be of help in motivating the whole factory to implement the decisions taken.

Still other comrades hold that workers' representatives concern themselves with wages, bonuses, material benefits and such personal interests, and have no interest in their enterprise's operational decisionmaking. Such a phenomenon exists, but this does not mean that the masses of staff and workers do not concern themselves with enterprise's operational decisionmaking. On the contrary, it means that this is the result of no one giving the staff and workers' congresses any decisionmaking power in the past, and not linking up the results of enterprises' production operations with the interests of staff and workers. If it is stipulated that staff and workers' congresses only have decisionmaking power in respect of production operations, then essentially it will lead to staff and workers only concerning themselves with the allocation of benefits. They will not concern themselves with the improvement of production operations or the development of the enterprise, which will in turn lead to the employee ideology whereby they only vie for personal benefits. Only by allowing staff and workers to have decisionmaking power in respect of their enterprise's production operations, and to take on responsibility for the results of production operations will it be possible to truly arouse the working masses' sense of responsibility as masters.

14. Whether staff and workers are truly able to become the main part and the legal person of enterprises, and whether they can collectively take on the powers and obligations of the enterprise is related to the enterprises' labor systems. Some comrades advocate that, in order to break the "iron rice bowl" it is necessary to implement "contract systems" for enterprises' staff and workers. This sort of "employee system" is contradictory to the above-stated

position of staff and workers in enterprises. If all of the staff and workers are the second party in the contract and the factory director is the first party, the factory director will be the main part of the enterprise and the whole body of staff and workers would be the main part of the enterprise and the whole body of staff and workers would be the secondary part of the enterprise, which will objectively give rise to an employee relationship, and at the very least, there will be the influence of an employee concept among the workers, which is very difficult to overcome. The comrades who advocate the contract system may explain that the first party need not be the factory director, but rather can be the enterprise. We have said above that the enterprise is not a vague and general concept, but a collection of a number of people and an amount of materials. A contract is a charter between persons. It cannot be a charter between persons and things. If the second party is the staff and workers, who is the first party? It can only be the factory director.

V. The Nature of Factory Director Responsibility Systems

15. The 3d Plenary Session of the 12th CPC Central Committee pointed out: "Modern enterprises must have centralized and unified leadership and production guidance, and must have a high degree of strict labor discipline. Because our modern enterprises are socialist, when implementing this centralized leadership and strict discipline, we must persist in guaranteeing the right of the vast masses of staff and workers and their elected representatives to participate in the enterprises' democratic management. Under socialist conditions, the authority of enterprises leaders forms a unity with the position of the laborers as masters, and a unity with the motivation and creativity of the laborers. This unity is a necessary condition for being able to correctly and effectively bring the laborers' enthusiasm into play."

The organizational realization of this unity requires the establishment in enterprises of a leadership system which is both democratic and centralized. That is to say, it is necessary to establish factory director responsibility systems on the basis of democratic management. On important questions, there should be democratic decisionmaking, while in day-to-day production operations, there should be a higher decree of centralized, unified guidance.

16. The means of production in whole-people ownership enterprises are controlled by the state. In respect of the enterprises, the state has both the ordinary function by which organs of state power manage economic organs, as well as the function of owner managing operations. As to what position and what status the factory director (manager) holds in this relationship, has great significance in the formulation of an enterprise leadership system.

If whole-people ownership enterprise are "state-owned and state-operated," and the state directly operates and manages the enterprise, the status of the factory director will inevitably be that of state representative, and naturally will be the main part of the enterprise and the sole legal person of the enterprise. Under this system, the factory director can listen to and respect the ideas of the masses of staff and workers, and accept the criticism and supervision of the staff and workers. However, decisions in respect of the

enterprises' production operations are taken by the factory director, and allowing the masses of staff and workers to participate to some degree in management, is only a mass line work method of the factory director. The "one-man leadership system" implemented in Soviet Union enterprises is basically of this type.

If whole-people ownership enterprises are "state-owned and collectively-operated" and the state gives the state-owned means of production to the whole-body of staff and workers who will then be responsible for production operations, then the main part and legal person of the enterprise will be the staff and workers of that enterprise. The factory director will be the representative of the legal person, will represent the whole body of staff and workers in operating and managing the enterprise and will also be responsible to the state. Under this precondition, the enterprise leadership system will inevitably be manifested as a democratic centralist system, which unifies the authority of the enterprise leadership with the position of the laborers as masters.

17. Is it possible to establish a system whereby the factory director has a dual status--where he represents the state in managing the enterprise and is responsible to the state, and represents the staff and workers and is responsible to the staff and workers? Seen from the legal angle, this type of double function is contradictory with the definition of a legal person. As an enterprise must have a legal person who has both rights and responsibilities, it must first be clearly set down who the legal person is, and who is going to concretely undertake the rights and obligations as stipulated by law. The law does not allow a double legal person or double legal person representation. In such a situation, if it is clearly set down that the collective staff and workers are the legal person, and the factory director is the legal person's representative, then the factory director is naturally the representative of the staff and workers. If the enterprise is directly operated and managed by the state, the state is the legal person and the factory director is the representative of the legal person. Thus, the responsibility for whether an enterprise is operated well or poorly, can be taken only by the state, or by the representative of the state, the factory director. Some comrades say that the legal person is neither the staff and workers nor the state, but the enterprise. We believe that abstractly saying that the enterprise is the legal person has no essential meaning, as it is impossible for this abstract "enterprise" to take on the rights and obligations provided by law.

18. A factory director giving a double status is unjustifiable in law. But the factory director, as a representative of the legal person has a double function. He represents the legal person in enjoying the rights of the enterprises and also represents the legal person in taking on the obligations of the enterprise. If he acts in a way which will harm the state's interests, then he is violating the obligations he should meet. This double function essentially manifests his representing both the interests of the enterprise and staff and workers and the interests of the state.

19. As the state has ownership rights in respect of whole-people ownership enterprises, it can implement a leadership system whereby the factory director

is subject of the double restrictions of both the upper-level responsible organ and the staff and workers, a system in which the upper-level responsible organ is the main part.

The factory director can be elected, recommended or engaged by the staff and workers congress, but this must be reported for appraisal and approval by the responsible organ. Or else, the director can be recommended or appointed by the upper-level responsible organ, but after working for a short time (for example, 6 months) in the enterprise, he would have to be confirmed by the workers' congress.

The factory director should have a set term of office. If, during the term of office, the staff and workers' congress feels that the factory director is not competent, it can request the upper-level to replace him. However, they must observe the decision of the upper-level. During the term of office, the upper level cannot arbitrarily transfer the factory director. If it is necessary to transfer him, the approval of the staff and workers' congress must be obtained.

As to decisionmaking in respect of enterprise production operations, on the one hand it cannot go against the operational direction as stipulated by the upper-level responsible organ, and must carry out the mandatory tasks handed down by the responsible organ. On the other hand, within enterprises there should be democratic decisionmaking and centralized guidance. If there is a serious difference of views between a factory director and the staff and workers' congress in respect of an important matter, it can be requested that the staff and workers' congress hold another meeting. If unity still cannot be achieved, the factory director will have the power to temporarily fail to implement the decision of the staff and workers' congress, and will report the matter to the higher-level organ for adjudication. Both the staff and workers' congress and the factory director must implement the upper level's decision.

20. While important production operation decisions are to be taken democratically by the staff and workers' congress, day-to-day operations management and production guidance will be exercised by the factory director through centralized guidance. All departments and all staff members and workers must implement the orders issued by the factory director.

Under the leadership of the factory director, it is possible to establish a management committee, a factory affairs committee or other such organizations. However, these organizations will only be the factory directors' work organs or advice organs and will not take decisions. Matters discussed will be decided on by the factory director and orders for implementation will be issued under the factory director's name.

The relationship between the factory director and the deputy factory director and other leading cadres in the factory will be relationship of leader and led. They will be appointed and dismissed by the factory director, or else he will put names to the staff and workers' congress for discussion and they will be appointed and dismissed by the upper-level responsible organ.

All of the administrative organs within the enterprise, and their responsible persons will be under the guidance of the factory director. In accordance with the principle of graded management, the lower levels will listen to the orders of the upper levels and the lower levels will be responsible to the upper levels. The lower levels' responsible persons will be appointed and dismissed by the upper-levels' responsible persons.

The enterprise will form a complete entity. Staff and workers' congresses at levels other than that of the staff and workers' congress of the entire factory will not be organs of power. They will not be organs of democratic consultation and supervision for the factory director and leaders at various levels, so that a system of centralized, unified guidance from top to bottom within the enterprise can be safeguarded.

VI. The Role of Party Groups Within Enterprises

21. Upholding the leadership of the party is the basic principle to which a socialist country must adhere in all its undertakings. Only if a socialist enterprise upholds the leadership of the party will it be possible to guarantee the socialist orientation of that enterprise.

Party groups within enterprises are the grassroots organizations of the party, and they play an important role in party leadership of enterprises. However, the party's leadership of enterprises is not restricted to the leadership of party groups within the enterprises. The principles and policies formulated by the party Central Committee which are handed down and implemented level by level through the central and local administrative systems, are an important avenue for party leadership of enterprises. Thus, the leadership of enterprises by upper-level responsible organs is not only manifested in party leadership. It should be seen as a level of party leadership higher than that of the party groups within enterprises.

22. The task of enterprise party groups within the enterprise is mainly the key function of providing political and ideological leadership. Strengthening political and ideological work within the enterprise is the primary task of an enterprise's party group. The enterprise party groups must do well both organizationally and ideologically, educate all party members and, through party members and groups such as the trade unions and Chinese Communist Youth League, organize and spur on the whole body of staff and workers to seriously study and implement the party's principles and policies in all respects.

It is absolutely necessary for enterprise party groups to implement the principle of separation of party and government work, and change the former methods whereby the party replaced the government and directly interfered in enterprise production and administration work. However, enterprise party groups certainly cannot disregard the enterprises' production and administrative work. Rather, on the basis of deep investigation and study, they should carry out their important guaranteeing and supervisory roles.

What is referred to as guaranteeing and supervising does not mean that the completion of the production tasks should be guaranteed by party organs.

Rather, if production operation decisionmaking in enterprises accords with party and state policies, the party groups should motivate all party members to spur on the whole body of staff and workers in the firm implementation of the decisions. If actions which go against party and state principles and policies are discovered, then the party groups should offer criticism and supervise their correction.

The enterprise party groups, in law, do not have any jurisdiction relationship in respect of the enterprises' administrative and leadership systems which have the factory director as their head, or in respect of the staff and workers' congresses. Thus, they cannot directly interfere in their day-to-day activities. However, the party groups must bring into play their roles in respect of leading ideological and political work. As to measures and actions which violate party and state principles and policies, the party group can make serious criticisms and adopt measures to redress the violations. If differences occur between the party group and the factory directors or staff and workers' congresses, they must be reported in a timely way to the higher-level responsible organ and higher-level party group. The matter will then be adjudicated by the higher-level responsible organ and the higher-level party group through unified coordination.

23. In order to bring into play the enterprise party groups' guaranteeing and supervisory roles, the party organs must strengthen policy research and investigative research into the situation of their enterprises. The responsible people of party groups at various levels can attend all levels of meetings relating to production and administration.

Enterprise party groups must positively support the right of staff and workers' congresses to carry out democratic management, and support the authority of factory directors and responsible persons at various levels to carry out administrative guidance. They must also educate the whole body of party members and the whole body of staff and workers to observe labor discipline and subordinate themselves to administrative directions in a model way.

In staff and workers' congresses, the enterprise party groups must report on the political situation and relevant principles and policies and do relevant propaganda work. They must guide the staff and workers' congresses in supporting the socialist orientation, in concerning themselves with the overall interests of the state and in correctly handling the relationship between the interests of the state, the enterprises and the staff and workers.

24. In order to better bring into play the guaranteeing and supervisory roles of the enterprise party groups, a possible consideration may be to pay the wages of those party group cadres who have been released from production, from party funds. If party funds are insufficient, the state can provide supplementary amounts. Their wage levels and bonuses will be decided on by the higher-level party committee. In this way, party cadres will stand detached from their enterprises and this will be of benefit in maintaining the party stand and more objectively carrying out their guaranteeing and supervisory roles.

VII. The Role of Trade Union Organizations in Enterprises

25. The important task of trade union organizations in the new period is to educate the vast masses of staff and workers in supporting the socialist orientation, to promote reform, to realize the four modernizations and to struggle to build a socialist nation with a high degree of civilization. A high degree of democracy includes both political democracy and economic democracy. Economic democracy is the basis of political democracy. The essence of our nation's reform of the economic structure is the further development and improvement of socialist economic democracy. In the new historical period, the trade union organizations should, under the leadership of the party, educate and guide staff members and workers to participate in various levels of economic democratic management, to guarantee the democratic rights of staff and workers and to bring into play the role of the masses of staff and workers as masters.

In order to develop economic democracy, the enterprises' trade union organizations must take the promotion of democratic management in enterprises as their major task. The trade union organizations cannot replace staff and workers' congresses, but it is appropriate that they be work organs for staff and workers' congresses. If the staff and workers' representatives elect the enterprise trade union chairman as the chairman of the staff and workers' congress, it will be of benefit in bringing into play the role of the trade union in promoting democratic management by staff and workers.

26. Enterprise trade union organizations are the grassroots-level organizations of the All-China Federation of Trade Unions. There is an essential difference between these organizations and the staff and workers' congresses. A staff and workers' congress is an organization of a single enterprise, and it represents only the staff and workers of that enterprise. Although members of the enterprise trade union are also staff members and workers of that enterprise, because the enterprise trade union is a grassroots-level unit of the All-China Federation of Trade Unions, it must implement decisions from the upper-level trade union, and has the duty of protecting the overall interests of the working class. The enterprise staff and workers' congress must also safeguard the overall and long-term interests of the working class, but in some situations, the staff and workers' congress may proceed from partial interests, which produces certain contradictions. In such a situation, the enterprise's trade union must maintain its own independent position and will enjoy the powers given to trade union organizations by state laws. For example, enterprise trade unions have the power to supervise the enterprises' labor protection and production safety. Also, the discharging of staff members and workers must be agreed to by the labor union, and so on. Although these questions are decided on by the staff and workers' congress, they must also have the agreement of the trade union organization.

27. In order to better bring into play the role of enterprise trade union organizations, the state should make stipulations in respect of the sources of trade unions' funds. The wages and bonuses of leading cadres in enterprise trade unions should be decided upon by the higher-level trade union organization, so that the trade union organization can stand apart from the enterprise and be more independent.

FINANCE AND BANKING

BANK OF CHINA PRESIDENT ON EXPANDING BANK'S ROLE

HK070723 Hong Kong WEN WEI PO in Chinese 5 Feb 86 p 2

[Correspondent's dispatch: "Bank of China To Expand Banking Business"]

[Text] Beijing--Wang Deyan, president of the Bank of China, said in an article carried by a finance magazine published here that the Bank of China will run itself as "a bank taking deposits and giving loans with emphasis on giving loans" instead of mainly taking deposits, as it did during the Sixth 5-Year Plan period, in the international financial market. He added: By 1990, with its assets and total liabilities counted, the Bank of China will possibly rank among the 20 biggest banks in the world; as far as the scope of its business is concerned, the Bank of China will then not be inferior to the world's 10 biggest banks in terms of its role in the national economy as well as its reputation and influence in the international financial circles.

Wang Deyan said in his article: Instead of mainly doing international settlements business as in the past, the Bank of China will develop into a "multi-functional" foreign exchange bank mainly dealing with commercial banking and also various other businesses regarding investment, leasing, trust and consultancy. In the international financial market, the Bank of China will change into "a bank taking deposits and giving loans with emphasis on giving loans" during the Seventh 5-Year Plan period. This change has already attracted the attention of the foreign governments and the international financial circles.

He expected that during the Seventh 5-Year Plan period, the Bank of China will increase the volume of loans of various types and the number of financial capital varieties, so that its money will be bound to be used in various ways. To help domestic enterprises undertake foreign economic activities, the Bank of China has started to serve as financial consultant to these enterprises and to study and carry out a package fund-raising plan, and will develop its business in this connection. To attain the above-mentioned goals and meet the needs of development, Wang Deyan said, it is necessary to intensively train and bring up a large group of foreign exchange personnel and, in addition, to step up international financial market studies and to provide the units engaged in foreign trade and Chinese-foreign economic cooperation with information on ventures in exchange rates, trends in bank rates, and channels and terms of international credits.

Wang Deyan added: The Bank of China also should concretely review its long-term development plans at home and abroad and its management system and work out effective credit plans and management methods; it should formulate a policy on interest rates for loans in Renminbi and foreign currencies, including loans given to enterprises operated with foreign capital, overseas Chinese capital, or Hong Kong and Macao capital, and work out methods of supervising the giving of loans; it should study problems regarding joint ventures and foreign exchange balances in a locality; it should study ways to cooperate with enterprise at home to earn foreign exchange; it should study ways to use the economic levers to achieve macroeconomic balance; and it should study problems regarding the trends of change in the financial systems of the special economic zones and the cities open to the outside world.

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CSO: 4006/759

FINANCE AND BANKING

SHANGHAI BANK TO ISSUE CASHIER'S CHECKS

OW150846 Beijing XINHUA in English 0822 CMT 15 Feb 86

[Text] Shanghai, 15 Feb (XINHUA)--Banks in Shanghai, China's largest industrial and commercial center, on 1 April will become the first in the country to issue cashier's checks.

Officials of the local branch of the People's Bank of China said today individuals and enterprises will be able to buy the checks--promises of payment guarantees by the banks' own funds--to transfer money from one account to another or to withdraw cash.

The checks must be paid for in cash, the bank said, and must be for at least 100 yuan. The banks will pay no interest on money paid for the checks, but they will not replace them if they are lost. The checks will be valid for 20 days.

Branches of the industrial and commercial bank, the agricultural bank, the Bank of China and the construction bank will also issue the checks, beginning in April.

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CSO: 4020/227

FINANCE AND BANKING

COURSE OF PRICING SINCE FOUNDING OF PRC REVIEWED

Beijing JINGJI RIBAO in Chinese 30 Aug 85 p 3

[Article by Lu Fengxia [4151 7685 7209]: "The Course of Pricing in New China"]

[Text] Pricing is an important lever of the national economy. It has a major regulatory effect on production, circulation, distribution and consumption, and is closely linked with the lives of the people. Since the founding of the People's Republic of China 30 years ago our country has preliminarily established a socialist price control system and has regulated many irrational commodity prices one after another. At the same time it has preserved the basic stability of market prices. The general level of social commodity retail prices rose 55.6 percent over the period from 1950 to 1983; an average increase of 1.38 percent yearly. In the same period the price differences in the Federal Republic of Germany, the United States, Japan and other capitalist countries had risen as much as three to nine times, forming a sharp contrast.

Our nation's prices have experienced the development of every historical period. They may roughly be divided into five stages:

1. The Period of National Economic Recovery

Due to the inflationary policies carried out by the Kuomintang reactionaries the issuance of currency reached astronomical figures, which greatly damaged the economy. When new China was established, the pricing work was confronted with a very grim situation: there was a severe shortage of commodities in the marketplace and prices were skyrocketing; the masses yearned for stable prices and the restoration of an orderly marketplace. In March 1950, the Party Central Committee issued "Resolutions Concerning the Unification of National Financial and Economic Work." It demanded unified national financial revenues and expenditures, a unified national distribution of materials, unified management of national cash reserves, a reduction of deficits and the withdrawal of large amounts of currency from circulation. Finally, inflation was curbed, prices were able to fall again, market prices tended to be stable and thus highly favorable conditions for the construction of a large-scale socialist economy were created.

2. The Period of the First Five-Year Plan

In 1952 the Party Central Committee proposed a general line for the transition period. In order to implement thoroughly this general line and to promote economic development, state-operated commerce carried out several practices with regard to products of privately owned industrial enterprises. They placed state orders for processed goods, created a state monopoly for purchasing and marketing, appraised and decided the commodity prices suggested by the private industries and limited their profits. They reduced the price differentials between regions, squeezed out privately owned wholesale businesses, approved the sale of goods on a commission basis, stipulated the retail prices and the ratio of differentials between wholesale and retail prices, controlled the volume and profits of privately owned retail businesses, and guided privately owned industry and commerce to accept socialist transformation. At the same time, making grain prices the center, they arranged price parities for agricultural products and raised the purchase prices of some agricultural products. The state began to set unified prices and to implement the monopoly for purchasing and marketing of grain, cotton, cooking oil and other items which are of vital importance to the nation's economy and the people's livelihood. In this period there was an ample supply of goods and the market was stable.

3. The Period of the "Great Leap Forward" and Three Years of Readjustment

From the beginning of 1958, under the guidance of "leftist" ideology, the state paid no attention to economic results in economic construction. With the additional influences of natural disasters and the cessation of Soviet aid, there was a large drop in agricultural production. It caused serious difficulties for the national economy at that time and the supply of commodities was tight. In 1960 the difference between the supplies of market commodities and the purchasing power of social commodities reached 7.48 billion yuan. Saving deposits dropped considerably due to inflation. To reverse the economic situation that was growing more serious daily, the Party Central Committee put forward the policies of "readjustment, consolidation, replenishment and improvement." Beginning in 1961 the prices of 18 kinds of daily necessities were frozen, including grain and cotton, in order to stabilize people's standard of living. At the same time a policy of high prices for some high-grade goods was implemented, and 5 billion yuan was withdrawn from circulation. By 1965 the task of adjusting the national economy had been smoothly accomplished. There was also complete success in stabilizing prices. If the national general retail price index of the previous year is 100, if 1961 would be 116.2, 1962 would be 103.6, 1963 would be 94.1, 1964 would be 96.3 and 1965 would be 97.3

4. The Period of the "Great Cultural Revolution"

The 10-year catastrophe caused production to stagnate, management to become chaotic and price control structures to become paralyzed. In order to stabilize prices and reduce losses, the State Council was compelled to issue

notices in 1967 and 1970 and to implement a policy of freezing prices. Under such circumstances freezing prices certainly helped achieve the goal of stabilizing markets and settling society. However, it also limited the lever function of prices, causing more and more irrational problems within production and circulation.

5. The New Period of Construction of Socialist Modernization

The party's 3d Plenary Session of the 11th Central Committee redressed the "leftist" mistakes and enabled our nation to enter a new historical period. The pricing system was also adjusted many times. First, there were fairly large increases in the purchase prices of agricultural products. The purchase prices of agricultural products increased 47.7 percent over the period from 1978 to 1983, arousing the peasant's enthusiasm for production and spurring the development of the village economy. After the purchase prices of agricultural products were raised, the selling prices of eight kinds of non-staple foods--pork, beef, mutton, eggs, poultry, vegetables and others--experienced increases. And at the same time each worker was given an allowance of 5 yuan every month. It formed an inverted buying and selling situation because the prices of grain, cotton and oil remained unchanged.

In order to adjust the price ratios of products of the mineral excavation, raw materials industries and products of processing industries, the prices of ore, coke, pig iron, steel products, cement and so on have been increased one after another since 1979. The prices of some mechanical and electronic products have been lowered, and the prices of rail and water transport have been adjusted. At the same time, the prices of products of the light and textile industries were adjusted, the prices of leather goods, cigarettes, alcohol and others were increased, while prices of televisions, watches, polyester/cotton cloth and others were lowered. In 1983 the prices of chemical textiles were greatly reduced and cotton fabric prices were increased, solving the long-standing problem of serious overstocks of chemical fabric products.

While reforming the pricing system, initial reforms of the price control structure was also carried out. Many kinds of pricing forms were implemented and the jurisdiction of price control was tentatively transferred to a lower level. Presently reforms that make cities the focal point of the economic system are just now developing in a steady manner. Price reforms are the key to the success or failure of economic reforms. The task of price reform includes two aspects: one is the need to smooth out the pricing system and to adjust unreasonable price ratios, price differences and so forth; a second is the need to reform the price control system and to bring into play the function of market mechanisms. Our nation's prices would genuinely constitute a lever to regulate production, balance supply and demand, guide consumption, promote the development of the national economy and increase economic results.

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CSO: 4006/294

MINERAL RESOURCES

FOREIGN FUNDS USED TO DEVELOP GUANGXI ALUMINIUM MINE

HK121532 Beijing ZHONGGUO XINWEN SHE in Chinese 1429 GMT 31 Jan 86

[Text] Nanning, 31 January (ZHONGGUO XINWEN SHE)--At the Guangxi foreign economic and trade conference which ended yesterday, Wei Chunshu, chairman of the people's government of the Guangxi Zhuang Autonomous Region, disclosed: The state has listed the development of Guangxi's Pingguo Aluminium Mine in the Seventh 5-Year Plan and has decided to use foreign funds to develop the mine.

The Guangxi Pingguo Aluminium Mine, which has rich reserves, is situated on the upper reaches of the You Jiang, 6 kilometers from Pingguo County. The mine includes the five mining areas of Nadou, Taiping, Jiaomei, Xinan, and Guohua, which are distributed in a circumference of several hundred kilometers. At present, the verified reserves of the Pingguo Aluminium Mine exceed 0.2 billion tons. The Nadou mining area, which was developed first, has 80 million tons of reserves.

At present, the preparatory work for the development of the Pingguo Aluminium Mine is under way. The location of the first-phase mining area of 4 kilometers has been decided. The mining area will be built along the shore of the You Jiang, which can provide water to the mining area. The You Jiang Bridge which links the five mining areas will be open to traffic in June this year. In order to ensure the electricity supply to the first-phase construction of the mine, the project for the extension of the Laibin Power Station was started last year.

A lot of foreign industrial and commercial people are very interested in the development of the Pingguo Aluminium Mine. Britain, France, Japan, and some other countries have also sent people to investigate the Pingguo Aluminium Mine and hope to invest in the project and jointly develop the Pingguo Aluminium Mine with China.

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INDUSTRY

REPORT ON PROJECTS TO BOOST TOURISM IN CITIES

OW151108 Beijing XINHUA in English 1044 GMT 15 Feb 86

[Text] Beijing, 15 Feb (XINHUA)--Tourists to Kunming, known as the "Spring City" in southwest China's Yunnan Province, will soon be able to tour the area in a helicopter and see its stone forest at night.

This is part of an ambitious five-year tourist development program aimed at making the scenic city one of Southeast Asia's major tourist centers.

According to the new development program recently begun by the Kunming Government, the city will concentrate its resources on projects that best showcase the natural beauty of the city and provide visitors with access to the outstanding features of its local culture.

These projects include restoration of villages that have preserved local customs but are also open to tourists, recreation areas where tourists can participate in festive rituals of local minority ethnic groups, a center for international fairs and conferences, water sports facilities, a camelia garden and new city sculptures and pleasure boats.

Kunming's history extends more than 2,000 years back to the Dian Kingdom in the 3d century B.C. Its culture blends such ancient civilizations as the Nanchao, Turpan, Dongba and Islam, and its 18 main sightseeing spots feature relics from the Tang, Song, Yuan, Ming and Qing Dynasties (618-1911).

Its southwest China location also makes ... a potential base for trips to Tibet and Burma.

Meanwhile, other Chinese cities are also upgrading their tourist facilities.

In Shanghai, where tourism has long been neglected, more streets devoted to sales of local foods and native products will be established and more pleasure boats will be provided for cruises along the Huangpu River.

Tourist routes will be set up to link the municipality's cultural cities, including the home and work places of such figures as the writer Lu Xun, Dr Sun Yat-sen, Soong Ching Ling, Mao Zedong, Zhou Enlai and Chen Yi.

On Hainan Island, the local government will develop tourism mainly in the cities of Sanya and Haikou, while the south coastal areas of the tropical island will be made into centers for winter vacationers.

Last year, 17.83 million foreign visitors (38.8 percent more than in the previous year) toured China. Among their itineraries were spring tours of picturesque Hangzhou City in Zhejiang Province and autumn tours of Beijing, where red maple leaves add to the golden color of palaces.

Visitors to China also made winter tours of the snow and ice lantern festivals in northeast China's Harbin. For warmth, winter travelers visited the 1,500-kilometer Hainan Island coast in Guangdong Province. And in the summer, foreign visitors flocked to the cities of Qingdao and Dalian on China's north coast.

To stimulate faster development of tourism, the country has planned to build or expand 90 airports to make civil aviation more convenient between cities, according to Hu Yizhou, director of the Civil Aviation Administration of China.

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INDUSTRY

BUILDING MATERIALS OUTPUT RISES 150 PERCENT

HK150604 Beijing CHINA DAILY in English 15 Feb 86 p 2

[Text] Production in the building materials industry is expected to increase in value by 150 percent over the 10 years from 1980 to 1990 according to the newspaper ECONOMIC INFORMATION.

Production of cement is expected to reach 220 million tons by 1990, double that of 1980, and output of glass will triple. The light building materials industry is predicted to leap forward during the next five years.

As well as increasing production, the industry will place emphasis on improving quality and reducing the cost of raw materials and energy.

With living standards rising, the demand for modern bathroom equipment is increasing. Last year, the country's production of porcelain fitting reached eight million units, of which 2.5 million were produced by large and medium-sized factories and the rest by small local businesses.

The amount of glazed pottery tiles produced last year was enough to cover 40 million square meters of floors and walls.

But the newspaper pointed that that quality of these products was still low. Sanitary equipment, for example, was all produced in the same colour and pattern. The major task of the country's porcelain industry over the next five years was to design and produce functional and attractive products to meet the consumer demand.

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CSO: 4020/225

INDUSTRY

FAULTY BOLTS HALT WORK ON SECOND STAGE OF BAOSHAN STEEL PLANT

HK181442 Hong Kong WEN WEI PO in Chinese 18 Feb 86 p 1

/"Dispatch" from special correspondent Yao Hsin-pao /1202 2946 0202/: "Work on Second Stage of Baoshan Iron and Steel Plant Recently Forced to Halt"/

Text Work on the second stage of the baoshan Iron and Steel Plan, a key state construction project, was temporarily suspended recently. The cause for the stoppage was that eight high-intensity bolts with a diameter of 24 mm snapped or expanded when they were installed.

The director of the Shanghai's Xianseng Screw Plant producing these high-intensity bolts was dismissed a few days ago. The five certificates of inspection issued to the plant after each consolidation were also recalled by the higher department responsible for the work. The plant's specialized production line was also ordered to stop production for a month and to carry out consolidation.

The suspension of work on the second stage of the Baoshan Iron and Steel Plant reportedly incurred economic losses amounting to more than 1 million yuan. Of the more than 130,000 sets of high-intensity bolts supplied to the Baoshan Iron and Steel Plant, half were without the furnace number of the raw material or were not made with the special steel provided by the steel plant.

The Xianfeng Screw Plant is the only plant in the country specializing in the production of high-intensity bolts. In recent years, serious confusion in production, technical management, and the use of materials, as well as the lack of instrument and equipment maintenance, have caused serious quality problems. The 270,000 sets of similar products turned out by the plant since last May have been recalled and the more than 20,000 bolts installed during the second stage of the Baoshan Iron and Steel Plant project have been dismantled. Separate arrangements will be made for them.

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CSO: 4006/754

INDUSTRY

LIAONING MAPS OUT GOAL FOR METALLURGICAL INDUSTRY

SK190258 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 18 Feb 86

/Text/ The Liaoning Provincial Metallurgical Industrial Work Conference, which concluded on 18 February, urged the province's metallurgical industry to retain the first place in the nation, the Anshan Iron and Steel Co. to remain the No 1 large metallurgical industrial enterprise in the nation, and the province's local iron and steel industry, which ranks ninth in the country, to win a better place. This is the goal of our province's metallurgical industry for the Seventh 5-Year Plan period.

On the morning of 17 February, Vice Governor Zhu Jiazen spoke at the conference. After fully affirming the achievements of the province's metallurgical industry scored in the Sixth 5-Year Plan period, he said: In order to ensure that Liaoning's metallurgical industry retains the first place in the country, we should, first of all, make reform a success. We should improve the relations among enterprises through lateral cooperation. We should also gradually reduce or remit the regulatory taxes of enterprises, extensively apply the method of depreciating machines according to their categories, raise the depreciation rate of enterprises, and then enhance the ability of metallurgical industrial enterprises for self-transformation and self-development. Second, we should rely on technical transformation and upgrade its level. We should use high-grade raw materials to produce high-grade products, and use low-grade raw materials to produce good, inexpensive goods. Through reform, technical transformation, and improved management of the entire trade, we should make Liaoning's metallurgical industry retain the first place in the country, and make greater contributions to the four modernizations of the country.

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INDUSTRY

BUILDING MATERIAL INDUSTRY MAKES GREAT HEADWAY

OW160245 Beijing Domestic Service in Mandarin 1200 GMT 15 Feb 86

/Text/ China's building material industry made much headway last year. An encouraging situation appeared in which its output, output value and tax payments increased simultaneously. At a new briefing on the building material industry today, a responsible person of the State Administration of Building Materials Industry discussed this situation.

The responsible person said: Last year, China overfulfilled the state plan for all principal products of building materials. The cement output reached 142 million metric tons ranking China first among the world's cement producing nations, and representing a 15.8 percent increase over the previous year. The plate glass output reached 56 million standard boxes, a 16 percent increase over the previous year. The output of other building material products, particularly new building materials, nonmetallic minerals and their products, and inorganic nonmetallic materials, increased by large margins.

Last year, the total output value of all building material industrial departments in the country, excluding rural enterprises, was 34 billion yuan, an 18.5 percent increase over the previous year. The energy consumption of building material production units steadily lowered. Large- and medium-sized enterprises' coal consumption for clinker was reduced by 5.3 kg per metric tons of cement compared with the previous year. Coal consumption was reduced by 0.62 kg per standard box of plate glass compared with the previous year.

The responsible person of the State Administration of Building Materials Industry also pointed out: The rapid development of the building materials industry is due to the implementation of the policy of all people helping to promote building materials production. According to initial statistics, funds used by the state and local units and departments for the development of building materials production last year totaled about 3 billion yuan, including the state investment of 750 million yuan, the provincial, autonomous region, and municipal investments of 860 million yuan, and the investments of more than 1 billion yuan by the State Council's departments concerned and all trades below the county level. This situation, in which state enterprises, collective enterprises, economic associations, and individual households all help promote building materials production by using domestic capital, foreign capital, and joint capital, not only favorably promotes the development of the building materials industry, but also reduces the state's financial burden.

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INDUSTRY

BRIEFS

GUIZHOU CIVILIAN PRODUCTS--The province's national defense industry vigorously developed production of civilian products in 1985. It produced 408 civilian products and the output value of civilian products reached 463 million yuan in 1985, an increase of 198 million yuan, or 74.1 percent, over 1984, and an alltime high. /Summary/ Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 12 Feb 86 HK/ 12228

QINGHAI REPORTS INDUSTRIAL PROGRESS, PROBLEMS--Qinghai's industrial production scored initial success in January. Light and heavy industry were better coordinated, registering respective increases of 0.87 percent and 0.76 percent compared with the same month last year. Ten out of 18 major industrial departments and prefectures increased output compared with January 1985. Those registering the biggest increases were the Electric Power Bureau, Haidong Prefecture Commissioner's Office, the National Defense Industry office, Hainan and Haibei autonomous prefectures, and the Labor Reform Bureau. Those showing decreases included the Machine-building Industry Department, Building Materials Bureau, Communications Department, and Haixi Autonomous Prefecture. The current problems in the province's industrial production are: The products of some enterprises do not sell well, resulting in stockpiles of products such as automobiles, hand-guided tractors, and potassium. There is a serious shortage of raw materials. Light industry is short of hides, wool, and aluminum ingots, while heavy industry is short of pig iron, scrap iron and steel, and energy. In addition, due to the late date at which the provincial plan targets were released, difficulties were caused for some enterprises in arranging production. /Excerpts/ Xining Qinghai Provincial Service in Mandarin 2330 GMT 16 Feb 86 HK/ 12228

LIAONING STEEL OUTPUT--During the Sixth 5-Year Plan period, Liaoning Province produced 46.77 million tons of steel, showing an average annual increase of 1.34 million tons over the Fifth 5-Year Plan period. In 1985 the steel output of the province exceeded 10 million tons for the first time, an increase of 13 percent over 1981. /Summary/ Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 16 Feb 86 SK/ 12228

CSO: 4006/754

CONSTRUCTION

18 BERTHS PLANNED FOR SHANGHAI PORT BY 1990

OW181633 Beijing XINHUA in English 1447 GMT 18 Feb 86

[Text] Shanghai, 18 Feb (XINHUA)--Shanghai Port, China's largest, will build two loading and unloading operation districts and a coal wharf this year to handle export goods and ease harbor congestion, a port official said today.

The districts--Guan'gang on the upper reaches of the Huangpu River and Baoshan at the Yangtze River mouth--will include 18 berths, 15 of which will be able to accommodate 10,000-dwt ships.

Upon completion in 1990, they will enable the Shanghai Port to handle an additional 10 million tons of goods.

According to Yan Runtian, director of the Shanghai Port Administration, the Shanghai port handles one-fifth of China's export goods. Last year more than 100 foreign trade ships call at the port every day.

The Shanghai port has handled 100 million tons of cargo a year over the past two years. But it still fails to meet the increasing needs of the country's economic development and its foreign trade.

Preparations are under way for building new port districts while expanding and upgrading the existing port facilities, said Yen.

The Shanghai Municipal Government plans to rapidly increase its imports of foreign funds to upgrade the city's infrastructure and port facilities.

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CSO: 4020/225

CONSTRUCTION

BRIEFS

ZHEJIANG HOUSING CONSTRUCTION--Zhejiang built housing units equivalent to 25.39 million cubic meters of floorspace during the Sixth 5-Year Plan period, 275 percent of what had been built in the previous 31 years. Average living space for people in cities and towns increased from 5.5 cubic meters at the end 1980 to 6.82 cubic meters at the end 1984. Some 510,000 urban households moved into new houses. /Summary/ /Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 7 Feb 86 OW/ 12228

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LABOR AND WAGES

BRIEFS

ZHEJIANG UNEMPLOYMENT SOLUTION--During the Sixth 5-Year Plan, Zhejiang Province helped 561,600 youths in cities and towns find employment. By the end of 1985, the province's unemployment rate had dropped to 1.5 percent from 3.6 percent at the end of 1980. [Excerpts] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 31 Jan 86 OW] /9274

CSO: 4006/759

HONG KONG

HONG KONG STOCK MARKET HAS STRONG SHOWING IN 1985

OW201752 Beijing XINHUA in English 1637 GMT 20 Feb 86

[Text] Hong Kong, 20 Feb (XINHUA)--The Hong Kong stock market's strong showing in 1985, with the Heng Seng Index rose by 46 percent to 1752, has reinforced confidence for 1986, says the Hong Kong Bank's ECONOMIC REPORT today. After three disappointing years between 1982-84, it is estimated that the average earnings growth of the Heng Seng Index constituent stocks in 1985 will be in excess of 20 percent. "Although the economic growth last year was disappointing, the growth in corporate earnings and the recovery of the property sector sustained the strong rise in share prices," says an article in the ECONOMIC REPORT.

Even though the property market has levelled off in recent months, property companies' earnings growth in 1986 is well-underwritten by the high level of presales achieved in 1985. In addition, this is likely to be reinforced by better performance from the banking sector in 1986, the article predicts. Providing that the interest rates remain low, and moderate economic growth can be sustained in 1986, it says, the long-term prospects for the stock market remain intact. In the short term, the article carries on, continuing high liquidity in the monetary sector, plus anticipation of good corporate results for 1985, should underpin sentiment, while speculation over further corporate deals might provide additional stimulus. The article predicts that exceptional trading opportunities may occur if the substantial public issues scheduled for March/April, totalling over 4 billion Hong Kong dollars, succeed in stimulating greater interest in the market.

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HONG KONG

OTHER PRC SUBSIDIARIES CONTEMPLATE DEPOSIT CERTIFICATE ISSUES

HK200927 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 20 Feb 86 p 1

[By Cecilia Ko]

[Text] Following the \$250 million certificate of deposit [CD] issue by the Bank of Communications, other members of the Bank of China [BOC] group are considering tapping the capital market.

The Bank of Communications issue has shown how Chinese banks can obtain cheaper foreign currency funds through a swap-linked Hong Kong dollar issue.

The bank's assistant general manager, Tang Yu-lap, told BUSINESS NEWS it would convert the \$250 million fixed-rate money into U.S. dollar floating-rate funds by means of an interest rate and currency swap arrangement.

As a result, the bank can obtain U.S. dollar money at a cost below the London interbank offered rates, he said.

Bankers are generally agreed that although the BOC group has a substantial Hong Kong dollar deposit base, it needs U.S. dollar funding to finance domestic projects.

The local capital market can therefore provide an additional channel for the Chinese banks to borrow cheaper U.S. money.

Some bankers pointed out that Bank of China is sufficiently highly regarded among international banks to be able to raise fixed rate funds directly in U.S. dollars and then swap into floating rate debts to reduce the cost.

Mr Tang confirmed that the BOC group is exploring different ways of broadening the sources of foreign-currency funds.

BOC President Wang Deyan said at the bank's recent meeting in Beijing that this year the group would make every endeavour to diversify the fund-raising channels.

He emphasized that the bank will increase its foreign currency borrowing at more favourable terms to support China's vast infrastructural and industrial modernization programmes.

Mr Tang said it would therefore not be surprising to find other BOC group members becoming active in the local capital market in the near future.

Banking sources said a number of merchant banks in the Hong Kong dollar paper market are keenly interested in helping the group arrange issues and competition is so stiff that many are prepared to offer BOC members favourable terms to get a mandate.

Mr Tang agreed that due to the shortage of quality loans, many banks were pricing Hong Kong dollar issues aggressively, but he did not consider the bank's \$250 million CD "mis-priced."

Lead manager BT Asia had set a fair pricing "at the moment the issue was launched," he said.

It was unfortunate, he added, that sentiment towards Hong Kong dollar CDS had become bearish because of over-supply and speculation as to interest-rate rises, but he believed the fundamentals supporting stable rates remained unchanged and the "indigestion" would soon be adjusted.

Bankers said yesterday that most CDs were traded at a discount in the secondary market. The Bank of Communications CD, although not yet issued, was quoted by some banks in the grey market at a price of 99.65-99.70 percent of its par value.

Some bankers said this was in line with general market movements and did not necessarily mean the underwriters did not support the issue. A few others, however, are less optimistic and believe the underwriters will have to sell at a loss.

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